

كازان الأصل

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NEWS SUMMARY

GENERAL

Ulster women's peace prize

Betty Williams and Miss ad Corrigan, leaders of the Ulster Women's Peace Movement, have been awarded the Nobel Peace Prize, worth £80,000. The 1977 prize to Amnesty International working to free political prisoners.

BUSINESS

Setback to gilts; equities off 8.1

● GILTS suffered a further setback with long-dated stocks losing up to 2.5%. The FT Government Securities Index dropped 1.72 to 26.82.
● EQUITIES were also lower, the FT 30-Share Index closing at 599.1, off 8.1. Gold Mines were stronger.
● STERLING gained 15 points to \$1.7602 and its trade-weighted index rose to 62.4 (62.3). The New York market was closed for Columbus Day.



Quiet space

● GOLD rose \$3 to \$157.125, the highest level for more than two years.
● WALL STREET edged down 0.09 to 840.26.
● SHORT-TERM interest rates in the London money market indicated that a further cut in the minimum lending rate is possible this week. U.S. rates expected to fall.

Intelligence claim

● NATIONAL Economic Development Office has expressed doubts about U.K. industry's ability to benefit from an economic spin-off—partly because shortages of certain types of labour and components would restrict any production increase, and because some products would still be uncompetitive in price or design. Back Page

Acc charge

● MORGAN CRUCIBLE is abandoning its carbon fibre venture and says that lack of significant Government support has led to the use of the material in the U.K. Back Page

min line-up

● EMPLOYERS and unions have agreed on a 20 per cent pay rise—doubling the ceiling urged by the Government—for about 18,000 pipettefitters in the heating and ventilation industry. Back Page

Carter poll

● CHEVRON Petroleum is having further problems with construction of its £120m. central platform for the Ninian field. Cracks have been found in the steel welds of the deck structure. Page 10

a holds 1,000

● BRITISH AIRWAYS is proposing a cheap ferry service to Australia in competition with Laker's proposed service. Back Page

Office said that two men

● FINANCIAL position of the company sector improved considerably in the second quarter of this year. Page 10

FT PRICE CHANGES YESTERDAY

FALLS	
Exch. 91pc 1982	£100.12
Transp. Spc 78-88	£69.1
Treas. 12pc 1985	£104.1
War Loan 91pc	£35.1
AE Electronic	120
Berisford (S. and W.)	207
EMI	214
Fitch Lovell	595
Glaxo	325
House of Fraser	139
Lloyds Bank	268
Lucas Inds.	302
Mining Supplies	197
Pearson	111
St. James	195
Tate and Lyle	285
Turner and Newall	285
Willis Faber	280
BP (P)	590
Shell Transport	590

Europe offers steel sales curb to U.S. to avoid trade war

BY ROY HODSON: ROME, OCTOBER 10

European steelmakers are attempting to defuse the threatened world steel trade war with an offer to place a voluntary limit on exports to the U.S. The main condition they are making is that other steelmakers should be prepared to do the same.

The scheme has been hastily conceived here in Rome during the last 24 hours at a series of talks between leaders of the European companies, including Sir Charles Villiers, chairman of British Steel Corporation. Between sessions here of the International Iron and Steel Institute conference, they have agreed to a proposal for a voluntary restraint on exports to the U.S. which, if accepted internationally, would have a profound effect on the present steel crisis.

The European steel men are hoping that their scheme will persuade the American steel companies to call off plans to launch a series of major anti-dumping cases in the U.S. against imported steel. Britain and continental Europe are selling 6m. tonnes of steel a year, worth £1bn. in the U.S.

The proposed European-U.S. steel agreement is designed to run in parallel with a broadly similar agreement which the Japanese have proposed to the U.S. but which has not yet been accepted by the U.S. Government.

Japan is also selling 1.5m. worth of steel annually in the U.S., where imports overall account for nearly 20 per cent of the market in volume terms. A voluntary restraint agreement appears likely to seem to the U.S. Government.

The West's demand for steel this year is likely to be 10 per cent less than expected. Details Page 8

and one of the leading supporters of American anti-dumping measures against foreign steel, said of the European proposals: "The immediate reaction is that we will have to consider it further."

The proposal is being advanced through Eurofer, the one-year-old "club" of European steelmakers established to represent the Community steel companies.

According to M. Jacques Ferry, its chairman and president of the French steelmakers, the EEC commission would be asked to act for the European steel men.

Scanlon waives NEB salary

By John Elliott, Industrial Editor

MR. HUGH SCANLON, president of the Amalgamated Union of Engineering Workers, yesterday became the third union leader to decline to draw a £1,000-a-year salary as a part-time member of the National Enterprise Board.

This emerged when Mr. Scanlon's appointment to the Board was announced along with that of Sir Jack Welings, chairman and managing director of the 600 Group since 1968, to take over other industrialists on the Board, Sir Jack will draw his salary.

The first union leader to tell the Government not to pay him any more was Mr. Harry Urwin, deputy general secretary of the Transport and General Workers' Union. He decided to do so in March during battles at the Leyland when at one stage he threatened to resign from the NEB which is British Leyland's major shareholder.

He remained on the Board but stopped drawing the salary he had been receiving since his appointment in November, 1975. However, he is thought still to be drawing £1,000 a year as a part-time member of the National Freight Corporation. He is also a member of the Manpower Services Commission and the Industrial Development Advisory Board.

Following Mr. Urwin's decision, Mr. David Basoett, general secretary of the General and Municipal Workers' Union who has no other outside paid posts, decided that he would forgo his salary as well. This wish is now expected to be granted by Mr. Eric Varley, Industry Secretary.

Fall in rate of wholesale price rises

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE SLOWDOWN in the rate of inflation is now showing through more clearly in official figures, with a marked deceleration in September in the rate of increase in industry's wholesale output prices and a fall in its raw material costs for the fifth month running.

Factory-gate prices charged by manufacturing industry rose by less than 1 per cent to 368.2 (1970=100) in September—the smallest monthly rise for nearly four-and-a-half years—according to Department of Industry figures announced yesterday.

This index has risen by only just over 2 per cent in the last three months, while the longer-term improvement is shown by a decline in the six-month rate of increase from nearly 11 to 7.4 per cent, between the last half-years.

These figures provide further backing for the confident Government projections that the 12-month rate of retail price inflation—16.5 per cent in the year to mid-August—should fall to between 12 and 13 per cent by the end of the year.

Favourable

These hopes have also been supported by last week's Price Commission figures indicating a sharp slowdown in the rate of increase in prices notified to it—only 3.7 per cent in the six months to September.

The recent improvement has resulted both from a slowdown in the increase in labour costs and a very favourable trend in raw material costs.

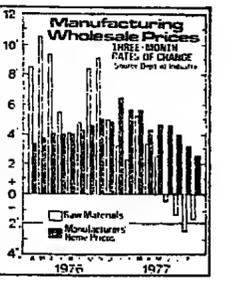
The price index for materials and fuel purchased by manufacturing industry dropped fractionally in September to 338.1 (1970=100) following the continued stability of many major commodity prices and further slight appreciation in the exchange rate during the month.

The result is that this index is now at its lowest level since January and has fallen by nearly 2 1/2 per cent in the past six months.

Additional favourable influences on output prices at retail level have been the effective freezing of many public sector charges until after the end of the year, the cumulative impact of Phase One and Phase Two of pay restraint, and the apparent decision by some companies to bring forward price increases ahead of the introduction of the new Price Code two months ago.

Infer as some of these influences are exceptional there may not be any immediate significant improvement in the underlying rate of inflation as measured by the Price Commission index. However, there should still be some further decline in the six-month rate of increase in both wholesale output and retail prices.

The prices trend after next



WHOLESALE PRICES (1970=100)

Year	Output (home sales)	Raw Materials
1976 1st	206.9	266.5
2nd	214.4	292.6
3rd	223.2	306.6
4th	233.9	329.9
1977 1st	248.0	341.5
2nd	259.2	347.7
3rd	267.7*	341.1*
April	255.4	349.7
May	259.8	348.3
June	262.4	345.2
July	265.8	344.6
Aug.	268.0*	339.5*
Sept.	268.2*	339.1*

* provisional
Source: Department of Industry

Mrs. Thatcher urges Tory unionists to fight extremism

BY RICHARD EVANS IN BLACKPOOL

MRS. MARGARET THATCHER, Conservative leader, in an aggressive mood on the eve of a party conference last night, urged Tory trade unionists to combat political extremism in the unions, and to opt out of the political levy paid to the Labour Party.

Against the background of potential conflict within the party over its attitude to industrial relations, Mrs. Thatcher told the Tory agents' dinner that the party must do all it could to encourage moderation within the trade union movement.

The most effective means, apart from increasing Conservative union membership, was to ensure that more Tory voters contracted out of their political levy.

Even before the conference opens today the issue of industrial relations has dominated events. Mrs. Thatcher went out of her way to refer to it in last night's speech, and it was the major item in television and radio interviews she gave yesterday.

The party leadership is doing all in its power to ensure that the closed shop issue in particular does not flare up when it is debated to-day and the signs are that the closing of the electoral gap between the Conservative and Labour should prevent too open a conflict.

In her speech to the agents, Mrs. Thatcher is probably not as high as last year, Mrs. Thatcher claimed that many trade unionists who voted Tory were already contracting out of the political levy. Of the 396,000 members of the Association of Scientific, Technical and Managerial Staffs, 249,000 had opted out of the political levy.

Mrs. Thatcher's other theme, which will be repeated in her other conference reports, Page 12
Society To-day Page 25

major speech winding up the conference on Friday, was that since the War Tory administrations had stood for prosperity and growth while Labour Government had meant standstill and economic decline.

She also sought to warn against the euphoria of recent weeks, by comparing the present levels of unemployment, prices and production, unfavourably with those of 1962.

Earlier in a BBC Television interview, Mrs. Thatcher denied any conflict in the Shadow Cabinet over the closed shop issue, although she admitted there had been a difference of views.

Part-time

Mr. Scanlon, who retires from his union's presidency next October, draws £1,000 a year as a part-time member of the British Gas Corporation and is also chairman of the Engineering Industry Training Board.

Such appointments on quasi-Governmental organisations and the salaries they bring, cause public controversy from time to time and are sometimes especially resented in the trade unions.

Mr. Scanlon and Sir Jack are two additional appointments to the NEB which will now have a total of 12 members once a vacancy for a deputy chairman has been filled.

Menu and Matter, Page 15

Surprise bid for Lindustries

BY CHRISTINE MOIR

A SURPRISE bid of 135p a share in cash from Hanson Trust, the industrial holding group, sent the shares of Lindustries, the engineering and textile group, from 90p to 133p yesterday. The bid values the company at a shade under £25m, against a market capitalisation of £16.6m, immediately before the announcement.

The offer is conditional on recommendation by the Lindustries Board, which said yesterday that it had had almost no warning of it. It refused to comment on the offer until it had been discussed with the company's merchant bankers.

The bid also took the City by surprise, though Hanson, valued on the market at £100m, was known to be looking for acquisitions. At the last annual meeting, Sir James Hanson, the chairman, promised that there would be further takeovers in the U.K. and overseas.

In the event its only U.K. offer this year, 122p in cash for Whitecroft, also active in textiles and engineering, lapsed in March. Since then there has been considerable speculation over other possibilities but Lindustries, had not been included among them.

Like Hanson, Lindustries is an industrial holding company. Its two main divisions are engineering and textiles and it also has a polymer division whose products range from rubber bands to rubber mouldings and gaskets.

In the year to April it produced profits of £6.6m, before tax from sales of £79m. In Hanson's last full year profits were £19m, on turnover of £222m.

Lindustries also matches Hanson in having significant interests in America: nearly £1m. profits and more than £12.5m. sales came from Central and North America last year. Meanwhile, Hanson has been building up its American business from a turnover of £13m. in 1974 to £257m. last year, and these produced profits of £13m.

Hanson is helped in making an acquisition of this size by a strong cash position. At March 31 it had cash and deposits of £38.7m. Lex Back Page

Catch a Caribbean Jumbo

747s to Kingston at 1045 every Wednesday (via Bermuda and Nassau) and Saturday (via Bermuda). Plus Barbados and Trinidad at 1140 every Tuesday and Saturday. All from Heathrow. With lots of 707s and VC10s in between. Full details from your Travel Agent or British Airways shop.



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Sterling and the Dutch disease

BY SAMUEL BRITTON

THOSE whom the gods wish to destroy they first make mad. A year ago the Chancellor and his advisers were beside themselves with worry because sterling was tending to fall. Now they are almost as concerned that sterling is tending to rise.

Trade

But it is a coincidence that the most prominent offers of embargos against the Netherlands come from firms prominently engaged in international trade—whether it is a big boy like Ford in a position to bully the Government, or a small boy like Mackie whom the Government is trying to bully in its turn.

Table with 3 columns: U.K. BALANCE OF PAYMENTS, 1976, Future, Hope. Rows include Fuel Balance, Invisibles, Non-Fuel, and Overall.

FILM AND VIDEO

BY JOHN CHITTOCK

A British triumph

THERE IS one activity in which we surpass the Germans, the Americans, the French and many other countries: the sponsored documentary film. Ten days ago in West Berlin, venue for the 18th International Industrial Film Festival, Britain triumphed with four of the eight category first prizes, three seconds, one of the two Grand Prix and two of the three other special awards.

Testimony

Another favourite of mine, although not of the judges (it was unplaced) was Guineberg, a film by the French, sponsored by Berger-Levrault of France. This film parallels the printing presses of 300 years ago with modern electronic systems now employed in printing.

The annual event, organised by the Council of European Industrial Federations, provides a splendid opportunity to see national and industrial trends. It demonstrates, for example, how nationalism is vanishing: ten years ago at this festival, I could often spot a German, Dutch or French film by its style alone—technical excellence in German productions, cinematic panache in the Dutch, elegance in the French. Today, they all tend to look the same—the Japanese, Finnish and Swiss films displaying, for example, some of the polish of the leaders. But while the British films have become better, the best rarely possess the excitement and imagination of earlier days.

One problem the judges face at this festival is the puritanical zeal with which the "industrial" qualification is applied. Many years ago, a superb film about Benzole was disqualified because it was not an industrial subject. Likewise films on tourism are excluded. Many British delegates would probably take the more catholic view that if it is sponsored by an industry, it is relevant to the aims and policies of industry.

BASF, company structures and the role of shares in the economic system (sponsor: Arbeitskreis zur Förderung der Aktive.v.). L'Enigme, made by Formation Creative of Paris, is a tedious tale of pseudo-detective investigation into the marketing failure of a new product; but for all its tedium, the content is interesting.

The Americans redeemed themselves slightly with an epic from Continental Oil Company, To Fly, a dramatised account of the history of aviation in the U.S. It is a film of great quality, in odd contrast to most American sponsored films, but still retains that synthetic characteristic found in nearly all of them.

BASF predictably produced another masterpiece, Das Gröne Feuer, a popular science account of photosynthesis. It is possibly the most perfect BASF film I have seen, but screened in its German version and heavily dependent on commentary, I found it difficult to assess.

Perhaps the survivors in film are the survivors in industry. The oil companies have always excelled in documentary, their past enlightenment almost a vision of the economic role they would play in the seventies. Perhaps therein lies a lesson, because other great industrial sponsors of the past—no longer holding the front rank to-day—were the railways, steel, coal, textiles... and the motor industry.

Pioneers of a Profession, by Jns. C. Stewart, C.A., The Institute of Chartered Accountants of Scotland, Price £5.50. This book records the beginnings of the profession of chartered accountancy: from a century ago.

SALEROOM

BY ANTONY THORNTON

Good start for Islamic week at Sotheby's

SOTHEBY'S started one of its periodic Islamic weeks yesterday with a good auction of Oriental miniatures and manuscripts which totalled £215,264. The only weak section was Persian lacquer which seems to be experiencing a fall-off in demand. Most of the top lots were on, or above, their forecasts.



The miniature that fetched £22,000.

A 16th century Shiraz Qur'an, with many illustrations, went to the Iranian dealer, Airghelchi, for £17,000, and two Persian tinted drawings of around 1870, signed by Muhammad Ali and showing a Royal hunting scene, fetched £17,000 and £15,000 respectively.

Rare carpet

In a minor auction of Old Master engravings at Sotheby's which totalled £25,089, a Rembrandt etching, a self-portrait, went for £850.

Carpet." It is one of only six other complete Kashans of complete Kashan carpets remaining from the earliest period, the one of Bukhara Group of around 1580.

RACING

BY DOMINIC WIGAN

Dewhurst field down to eight

ONLY EIGHT remain in the William Hill-supported Dewhurst Stakes at Newmarket on Friday. The sponsors must be hoping that the field does not cut up further.

Several leading factors for this gruelling stayer's event may well miss the line-up if there is not a good deal of run on.

Racing results table with columns for race name, horse name, jockey, and odds.

GRANADA

10.40-11.55 a.m. Conservative Party Conference, 1.30 p.m. This is Your Right, 2.15-3.15 p.m. This is Your Right, 6.00 Granada Reports, 8.30 Emmerdale Farm, 11.30 Police Woman.

HIV

1.30 p.m. Report West Headlines, 1.50 News, 2.00 News, 2.15 News, 2.30 News, 2.45 News, 3.00 News, 3.15 News, 3.30 News, 3.45 News, 4.00 News, 4.15 News, 4.30 News, 4.45 News, 5.00 News, 5.15 News, 5.30 News, 5.45 News, 6.00 News, 6.15 News, 6.30 News, 6.45 News, 7.00 News, 7.15 News, 7.30 News, 7.45 News, 8.00 News, 8.15 News, 8.30 News, 8.45 News, 9.00 News, 9.15 News, 9.30 News, 9.45 News, 10.00 News, 10.15 News, 10.30 News, 10.45 News, 11.00 News, 11.15 News, 11.30 News, 11.45 News, 12.00 News, 12.15 News, 12.30 News, 12.45 News, 1.00 News, 1.15 News, 1.30 News, 1.45 News, 2.00 News, 2.15 News, 2.30 News, 2.45 News, 3.00 News, 3.15 News, 3.30 News, 3.45 News, 4.00 News, 4.15 News, 4.30 News, 4.45 News, 5.00 News, 5.15 News, 5.30 News, 5.45 News, 6.00 News, 6.15 News, 6.30 News, 6.45 News, 7.00 News, 7.15 News, 7.30 News, 7.45 News, 8.00 News, 8.15 News, 8.30 News, 8.45 News, 9.00 News, 9.15 News, 9.30 News, 9.45 News, 10.00 News, 10.15 News, 10.30 News, 10.45 News, 11.00 News, 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The Oracle

by ELIZABETH FORBES

hen in January 1933 the Italian baritone Antonino Paganini gave his farewell performance at the Metropolitan Opera, New York, after 33 seasons. He chose the role of Chim-Fen in Franco Leoni's one-act opera *L'Oracolo*, a part he had performed at Covent Garden in 1907, and one which he had sung more than 40 times at the Metropolitan. Scott's partiality for the role is clearly alive in London, but in London the role sank after three performances, and the revival by the Golden Theatre last week was the first since the initial Covent Garden production.

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and murder before getting his come-appearance at the hands of Win-She, the Sage of the title.

A great many incidents, most of them violent or at least emotional, are packed into the one-hour single act, and the text could serve for a variety of dramatics on the lines of *Camille*, or, a later example, *Il*

aborro. But Leoni, born in 1864, one year after Mascagni and six years after Leoncavallo and Puccini, had little of the energy, let alone the genius, of his seniors. His score is pallidly tuneful, with sham willow-pattern orientalism taking the place of any more determinedly original style.

Scott, however, was right. Chim-Fen offers the baritone who is a powerful actor rewarding opportunities to display his vocal and histrionic talents. Michel Kallipetis, most assured of the Merin company, looked evil and sang forcefully — on occasion too forcefully. Win-She, another baritone role, was played with appropriate dignity by Ian Ritchie. As Ah-Yo (Kobbe's name for Ab-Joe), the soprano who goes mad when her lover is murdered, Sarah Lettich sang the most lyrical number in the score, a greeting to the dawn,

Giacometti and Godwin

by WILLIAM PACKER

An important exhibition has lately opened in London, important not in its scale, which is rather small, nor even in its novelty, for the actual work is hardly unfamiliar, but simply in the opportunity it affords us to get close to the work of a great artist, and in helpful circumstances. Those who frequent the private galleries know this particular treat to be far from rare, with old and modern masters alike, but they are not over-much, and the point bears repetition. Great art speaks to you one of us personally or not at all; and though the museum is now the only place in which most people would expect to find it, it is never the best. To live with a masterpiece is the great privilege, and usually beyond our reach; and yet, in certain small and quiet semi-public rooms, we can occasionally come to know something of what it might mean.

Giacometti provides a nice example. He is well represented in all the major public collections as a matter of course, and Tate has a very good selection of his work. Moreover, since it all falls within a fairly narrow range, surprises are not common; we know very well what to expect. But the work is also fragile, and we must keep our distance. The kind of intimate scrutiny that it invites is seldom possible in museum conditions. The essential paradox of Giacometti's art, in that it is both so accessible and so elusive, is that the interest that it should be insulated from actual experience.

We have little choice in the matter, but the work is so good (which is not to say that it should not also recognise and regret the true nature of our situation). So to come upon 13 major pieces by Giacometti from the last two decades of his life, all together in two small upper rooms in Bond Street, is quite as much a shock as it is a pleasure.

The work is so strong, yet it is hard to see wherein the strength lies. The images are unexpectedly fresh in presence, if not in appearance, being somewhat unimpaired, awkward and openly unfinished (some people may still be shocked by their grotesque distortions); and yet they are strangely haunting as they gaze so fixedly at us, appearing to challenge us to match their own concentration. A simple anthropomorphism, however, is too easy an answer. These figures have the product, rather, of their own concentrated worry, and the fundamental existence of what does experience consist?



Giacometti: Buste d'Elvira Istar, 1965

service in recording it, and in tracing the tracks by which the herds were moved through the wilderness and over the border. Miss Godwin makes this remote and beautiful country visible to us in a magnificent series of images. The grandeur of the scene is a commonplace of the guide book, at once obvious and sentimental. In reality it is the very devil to manage, in its subtlety and simplicity. Her achievement is to do just this with a disciplined, unaffected directness, and a sure eye for composition and emphasis. She accommodates detail with distance.

Prints of Miss Godwin's photographs are still available through Anthony Stokes Ltd.

Elizabeth Hall Mozart violin sonatas

The recital that included Mozart's last and best three sonatas for violin and piano on Sunday night ought to have been a feast; and indeed the menu was impeccable. But it would be risking indigestion to continue the metaphor, for much of what we heard was faint, bloodless and limp to an extraordinary degree. The pianist Christoph Eschenbach, a respected musician, has lately been cultivating the lower extremes of dynamics; against a sturdy orchestra in a concerto that may have a certain pathetic force, but in Mozart's vigorously elegant duos it sounded grotesque.

Under Eschenbach's occasionally refused to sound at all, and the bass line often strayed away into inaudibility. In slow movements as well as quick ones his ornaments were vague and indistinct, and the former tended to suffer from indeterminate pulses. The violinist Young-Uck Kim was liable to race in rapid passages too much for the comfort of

Beckett in Berlin

by RONALD HOLLOWAY

r the first time in his freetrips to Berlin (now annual), Samuel Beckett directed his own plays at the Akademie der Künste, where a member and lives during production. The play is *Krapp's Last Tape*, and the director is Rick Cluche, and the play is a high-water mark in Berlin's Festwochen, the Arts Festival.

Beckett and Cluche are per friends. Cluche assisted Beckett in the 1975 Wiesbaden festival (*Warten auf Godot*) production on the large stage of the Theater (it's played approximately 110 performances, last count in repertoire); Cluche was one of Cluche's supporters for a DAAD (Deutscher Akademischer Austauschdienst) grant to reside in West Berlin. Cluche, the San Quentin play which has toured for more than a decade with *The Cope*, a drama inspired by *Warten auf Godot*, plays Krapp, a play embittered alcoholic ped in a cage of his own ing for the greater part of life.

Some minor changes have been made in the text, the performance goes just over 40 minutes, and there are moments for instance when Krapp turns slowly around to gaze behind him — which are minutely, solemnly executed as a key to a still-Silent Night just past midnight in the dead of winter. The smashing of the new tape in this violent, wrathful moment, bumping the lamp to set it in away over the table to accompany, in the following rhythmic act, the dying words that spelled the end to a last chance for happiness long, long ago, is another. There are, to a theatregoer's delight, many such moments.

Complete documentation by Michael Haerder, Beckett's assistant and director of the Künstlerhaus Bethanien, has been prepared on the production.

Bruckner (his real name was Theodor Tagger, but because he managed Berlin theatre he used a literary pseudonym) started as an expressionist poet, a schooling that made his first dramatic play, *The Madman of Ypsal*, an instant success. His story of moral corruption and cynicism, fatalism in a student "commune" (they study medicine, no less) caused an immediate scandal, for one of the girls is driven to suicide, a disease that infects them all in the end. The play was written by the seven young people to whom it will bring moments of electricity into a deliberately slow pace designed to pull the audience into a mental horror chamber. The play has actually to fit our own times, and Berlin's spurge of tragic suicides among the young.

Cluche teases his audience every inch of the way. His grizzly beard and snow-capped haystack give him the appearance under a hanging lamp of a decrepit Moses, an Old Testament god, vengefully trying to catch his earlier self in a misdeed. The moment he accents a trace of weakness on the tape, the juices flow, and thought majestically activates a battered visage. Cluche is an onforgettable Krapp; he is the approximate age of the man on emigrate, Horvath, only getting as far as Paris, where he was tragically killed when lightning struck a tree he was standing

The Good Woman of Setzuan

by B. A. YOUNG



Jonathan Kent and Janet Suzman

she holds the stage most of the evening. I don't mean to be unkind when I say that the effect is like a lit actress among Muppets, for Mr. Hack must have intended these performances to be so artificial. It is an artificial world that he takes us to; doors and windows and even the moon are held up to us as required by Fusch and Judy show. Less complex people, like Mr. Shu Fu the rich barber and Mrs. Mitsu the landlady, are easier to disentangle from the general brouhaha. Constantin de Goguel and Mary Sheen cope well. Miss Sheen touches our occasional spring of pathos too in her other part as the alman's mother.

I do not myself find the play very attractive. Its theme of "Who is sinners' worst enemy?" was more poetically dealt with by Casard Manley Hopkins; and if Hopkins's solution, that to God all things are possible, is less acceptable than Brecht's, that the world is a terrible, cold place and there is no way of living in it, he is more subtle in his approach to it. Brecht hammers at us as if we were a lot of backward children, and if we don't understand what he says when he says it in dialogue, he repeats it in song (some pleasant sounds conferred by Stephen Oliver).

translator's name is given difficult for individual talents to show through such treatment. Brecht's play is look- been filled somewhat, which only a few performances seemed to me to display anything personal. Janet Suzman, as Shen Te, the good woman who masquerades as her wicked boy-cousin Shui Ta in an all-judged attempt to extend the range of her charity, is naturally one of them. Her contrasted personae are achieved without the usual assistance of a mask; by slipping on a pair of trousers and a double-breasted jacket (buttoned up the female way, a Brechtian wink to the audience) and concealing her face up instantly glasses and a hat, she is instantly transformed. Her Shui Ta voice is a bit odd; it contains elements

from such disparate sources as Fu-Manchu and Mse West. In one incarnation or the other.

St. John's, Smith Square Aeolian Quartet

The 150th anniversary of Schubert's death is to be hand-somely celebrated in the BBC Lanchester Concerts this season. His last eight string quartets will be heard, as well as the last four piano sonatas and *Schubert's* — and (less we forget!) all the mature quartet music of the Second Viennese School too. Appropriately, the most gem-like of British quartets, the Aeolian, opened the series yesterday with the great Schubert A minor, D. 804, and Weber's op. 28 Quartet; with the graceful little Fugue from Mendelssohn's posthumous op. 81 as hors d'oeuvre.

The mellow playing of the Aeolian removed any suggestion of academic exercises from the Mendelssohn, and made warm, unclimatic sense of the Weber too. Performances of Weber's op. 28 often seem to aim at the level of glassy abstraction at which the unsympathetic may suppose the composer to have conceived the work; the Aeolian team stressed rather the amiable give-and-take of its dialogue. They might have marked its rhythms more sharply still — but they did not. Higher dramatic contrasts would have displayed the monumental aspect of the work more vividly; the Aeolian players chose instead to dig happily into every spangly episode, at uniformly relaxed tempo. Such assistance as may be rendered in the music, combined with the affectionate surface of the performance. Not the whole story, then; but they made it sound a likely tale, and evidently themselves believed very minute of it.

DAVID MURRAY

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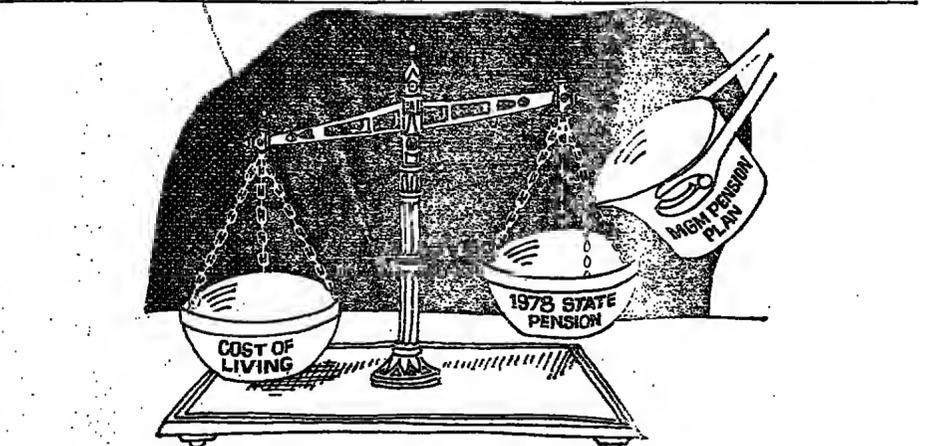
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EUROPEAN NEWS

U.K. blocks EEC textile talks

BY GUY DE JONQUERES AND RHYD DAVID

THE EUROPEAN Commission intends to open talks with leading textile supplier countries here tomorrow as planned, even though the British Government was this evening still blocking final approval of its negotiating mandate.

Permanent national representatives of the Nine, meeting in Brussels, have been unable to face to overcome British reservations about the exact terms of the mandate and decided late this afternoon to suspend their discussions to permit the British delegation to seek fresh instructions from London.

A Commission spokesman said that he hoped the difficulties could be resolved quickly. He insisted, however, that talks with the supplier countries would in any case start tomorrow, though in the absence of a firm mandate there could only be consultations and not full negotiations.

In the Commission view, the approval by the EEC Council of Ministers of its outline mandate last month has already given it the necessary political authority to seek agreements with the suppliers, and it would be unthinkable for any EEC Government to erect major obstacles to

the start of proper negotiations at this stage. Delegates from Hong Kong, Brazil, India, Singapore, Thailand and Guatemala have arrived in Brussels, and this evening attended a champagne reception to mark the start of the talks.

The specific nature of the British reservations was not directly clear. In Brussels, officials said that they were essentially concerned with the levels of cotton yarn exports which the EEC would offer the supplier countries, but official sources in London suggested that they went further and related to the over-

all approach proposed by the Commission.

There have been indications that the British Government believes that the Commission proposed mandate is not precise enough, and that the flexibility which it envisages would make it difficult to attain the EEC's major objectives in the textile negotiations. These are on one all growth rate of no more than 8 per cent annually in textile imports, with a much lower growth rate for some sensitive products and for some countries which have already built up a large export trade with the EEC.

NATO AND TURKEY

Defending the oil route

BY DAVID BUCHAN, RECENTLY IN TURKEY

EAST AND a long way south of Moscow, NATO borders directly on the Soviet Union, in the remote mountainous plateau of Eastern Turkey. The only stretch of the 500 kilometre Russian-Turkish border to which the Turkish army cares to take the rare visitors it allows is that part formed by the Arpacay River. Here the Turks can soothe Russian susceptibilities by maintaining the fiction that visitors come to see two deserted and desecrated Byzantine churches that stood just across the 100 yard river gorge from the Russian line with its panoply of watchtowers, minefields, and electric fences.

Incidents on the border are not common, and mostly involve straying cattle and goats—though two Russian lieutenants did defect last year across to Turkey. In fact there is some co-operation: the Turks and Russians are jointly building a 100 sq. km. hydroelectric dam on the Arpacay, which is due to be finished next year. And the weary traveller from Erzurum, base town for Turkey's Third Army, to the border could be forgiven for wondering why the Russians should ever want to seize such thankless territory, where winter temperatures can drop to -30°C.

In answer Turkish commanders reiterate the litany of 17 Russo-Turkish wars in the 200 years in this area. Stalin's claims on a large slice of Eastern Turkey after the Second World War, and the ominous fact that the Russians keep 12 divisions in the southern Caucasus and another six further north. But more relevant, it is the Middle East oil fields that Eastern Turkey would form for the Russians.

The recent Central Intelligence Agency report on world oil seems to show the Russians have smaller oil reserves than previously thought, and the NATO view is that in wartime the Russians would need quiet access to more oil. The mountains of Eastern Turkey run east-west (conveniently for the Russians) and for all their ruggedness might prove easier going than those of northern Iran.

All Turkish officers and NCO's are required to spend three years of their careers in Eastern Turkey. "East duty" is not popular, compared with the comforts of Istanbul and Ankara. But the Turkish Third Army claims it can meet on its own any possible Russian thrust along the plains near Karz and to the south near Mount Ararat (and indeed it could count only very few NATO reinforcements). Certainly the discipline of the army is impressive—so is its training.

The embargo, imposed by Congress because of the Turkish invasion of Cyprus, is not total. Turkey has been allowed this year and last foreign military sales credits of \$125m., and President Carter proposes to increase that to \$175m. in 1978. But these figures constitute an absolute ceiling for total Turkish arms acquisitions from the U.S. so that even if Turkey had all the money in the Middle East to buy more, it could not do so.

he as dangerous as the reality, and there remain many political disputes in NATO's southern region, stretching 4,000 kilometres from Gibraltar to eastern Turkey, that could be exploited by the Russians.

Turkey is far from ready to leave NATO, though Turkish commanders warn that one day, in pique, this might happen. The immediate threat is the problem of the U.S. bases. Officially, all 26 U.S. bases or installations are closed, except for "NATO



purposes" under Turkish command. The practice appears to be that conventional operations continue as before with Turkish base commanders.

The big U.S. air force base at Incirlik, for instance, continues to fly its Phantoms, and very few of the 6,000 Americans in Turkey have left. There is a certain amount of administrative harassment: Americans find it hard to get around the country and between bases. U.S. intelligence-gathering continues to some degree, with the Turks dispatching to NATO commands information when and how they see fit for alliance purposes. But there are severe restrictions on the important U.S. intelligence bases at Sincap, Karamursel, Diyabakir and Belbasir from which the U.S. used to track missile testing in southern Russia and Black Sea shipping.

The other military theatre that concerns the Ankara general staff is Turkish Thrace. But tank country from the Bulgarian border to the Bosphorus. Guarded by the First Army which is given priority in equipment and training. In this area both the Turks and Greeks are both under threat from the Warsaw Pact: in some areas of Greek Thrace, there is only 20 km. between Bulgaria and valuable Greek ports on the Aegean. But a common defence is bedevilled by the Greek-Turkish quarrel.

General Robert McAlister, the U.S. general at Naples in charge of NATO's southern land command, says both the Greeks and Turks are facing the "proper direction," north towards the Warsaw Pact. But there is some suspicion that the armies there spend more of their time worrying about threats from East and West.

of NATO, and now averages about 50-55 ships, half of them combat ships. This is only slightly greater than the numerical strength of the U.S. Sixth Fleet alone. But numbers was never the whole game anyway. Since being pushed out of Egypt, the Russian navy has to do all its refuelling and repairs in international waters, where Sixth Fleet commanders claim it is a "sitting duck." None of the storage or repair facilities that the Russians currently have in Syria, Algeria or Yugoslavia (where the port of Tivat does naval repairs for all comers, and not just the Russians) compared with those they had in Egypt. Then they also had Egyptian air bases; now all flights have to be made from the Soviet Union.

Nor is the Sixth Fleet yet worried about the new Kiev carrier class that takes helicopters and short or vertical take-off aircraft. The first of this class, the Kiev itself, entered the Mediterranean this year, passed on to the Atlantic which has not yet returned. The Russian Black Sea yards are now completing or planning three more "Kievs." But the captain of the Saratoga, one of the two U.S. Mediterranean carriers, says "it will be eight to 10 years before they worry me. At the moment their aircraft burn holes in the deck."

Mr. Inan said that there was a question of Turkey applying for full EEC membership "for a moment."

Ankara looks for credit from EIB

By Our Own Correspondent

ANKARA, Oct. 10. A TURKISH attempt to persuade the European Investment Bank to give Turkey a credit of \$50m. began today as did what the Minister of Energy, Mr. Kemal Inan, described as an attempt "to bring back some dynamism to the practically dead relations between Turkey and the EEC."

Mr. Inan left Ankara today for five days of talks with senior officials of the bank and the Commission. He will also see Mr. Gaston Thorn, the Luxembourg Premier.

A former chairman of the mixed EEC-Turkish Parliamentary committees, Mr. Inan said that Turkey wished to update the protocol signed between Turkey and the Community in 1970. He admitted that Turkey was "partially guilty" for a delay in that it had failed to work out its demands. Apart from complaining at the failure to grant freedom of movement for Turkish workers, including those already in the Community, Mr. Inan stressed the need for reviving the agricultural preference granted Turkey and for protecting its infant industries.

Greek party favours return to NATO

By Our Own Correspondent

ATHENS, Oct. 10. THE National Front Party, which will contest the forthcoming Greek elections, favours Greece's return to Nato and close relations with the United States. The National Front is headed by Mr. Stefanos Stefanopoulos, who served as Prime Minister in 1966-67. It is trying to attract dissatisfied or disillusioned right-wing voters and pro-royalists, as well as sympathisers of the fallen junta.

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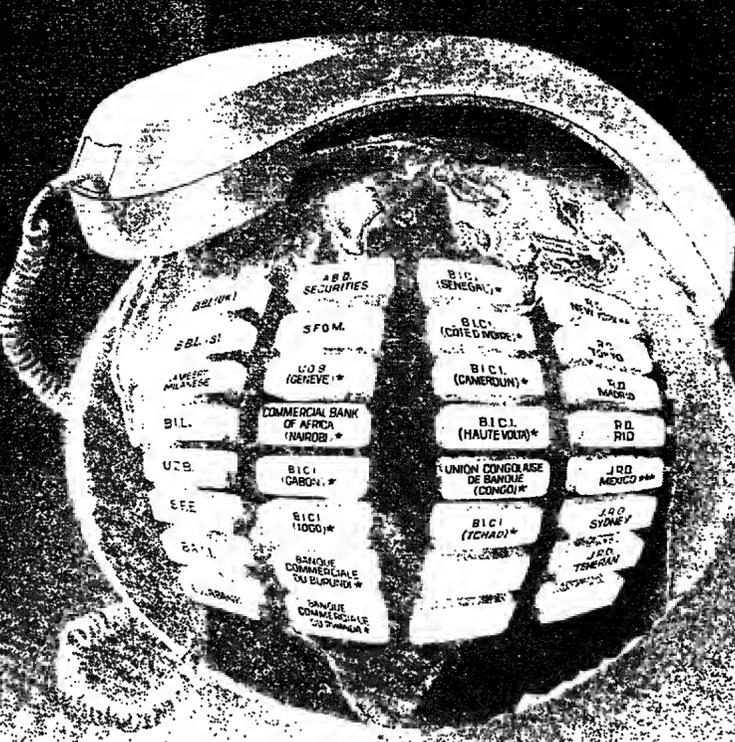
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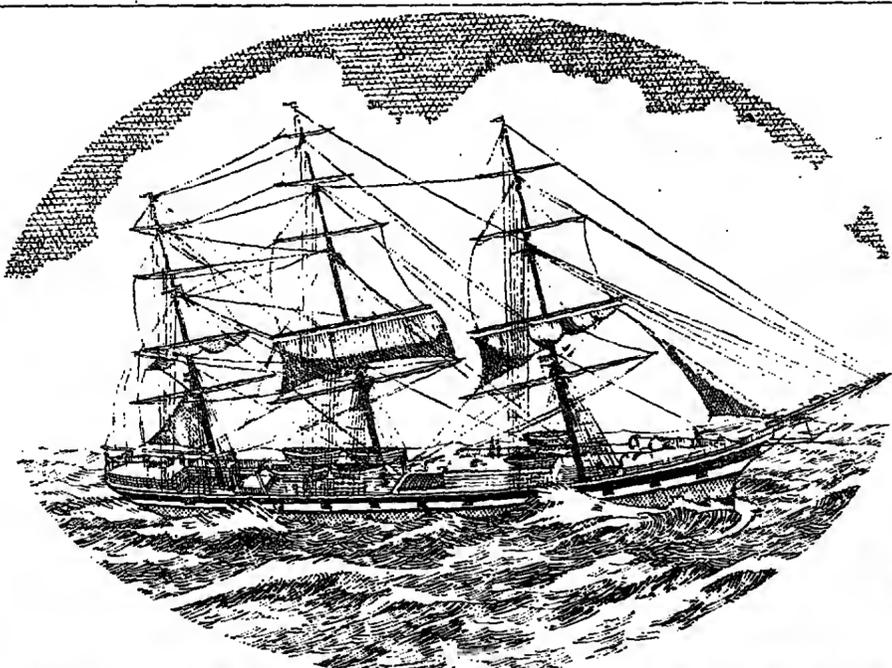
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EUROPEAN NEWS

Decline in popularity of French Left after quarrel

BY ROBERT MAUTNER PARIS, Oct. 10. A BREAKDOWN at the end of the month of the negotiations between the three parties of the French Left has already produced a noticeable decline in its popularity, according to latest public opinion polls published in the Paris morning paper Le Figaro.

Pensions and welfare key to Italian cuts

BY DOMINICK J. COYLE ROME, Oct. 10. MODIFICATIONS to one pension or an increase in social welfare contributions, or a combination of both, may be decided on later this week by the Italian Government in an effort to hold the total spending in 1978 within limits already agreed with the International Monetary Fund.

Bonn thinks EEC budget compromise still possible

BY OUR OWN CORRESPONDENT BONN, Oct. 10. SENIOR WEST GERMAN officials believe that a compromise may still be possible over the key issue of Britain's contribution to the EEC budget, which would involve mutual concessions over the amount Britain should pay, without any retreat on the basic principles involved.

Government, opposition in Spain agree to co-operate

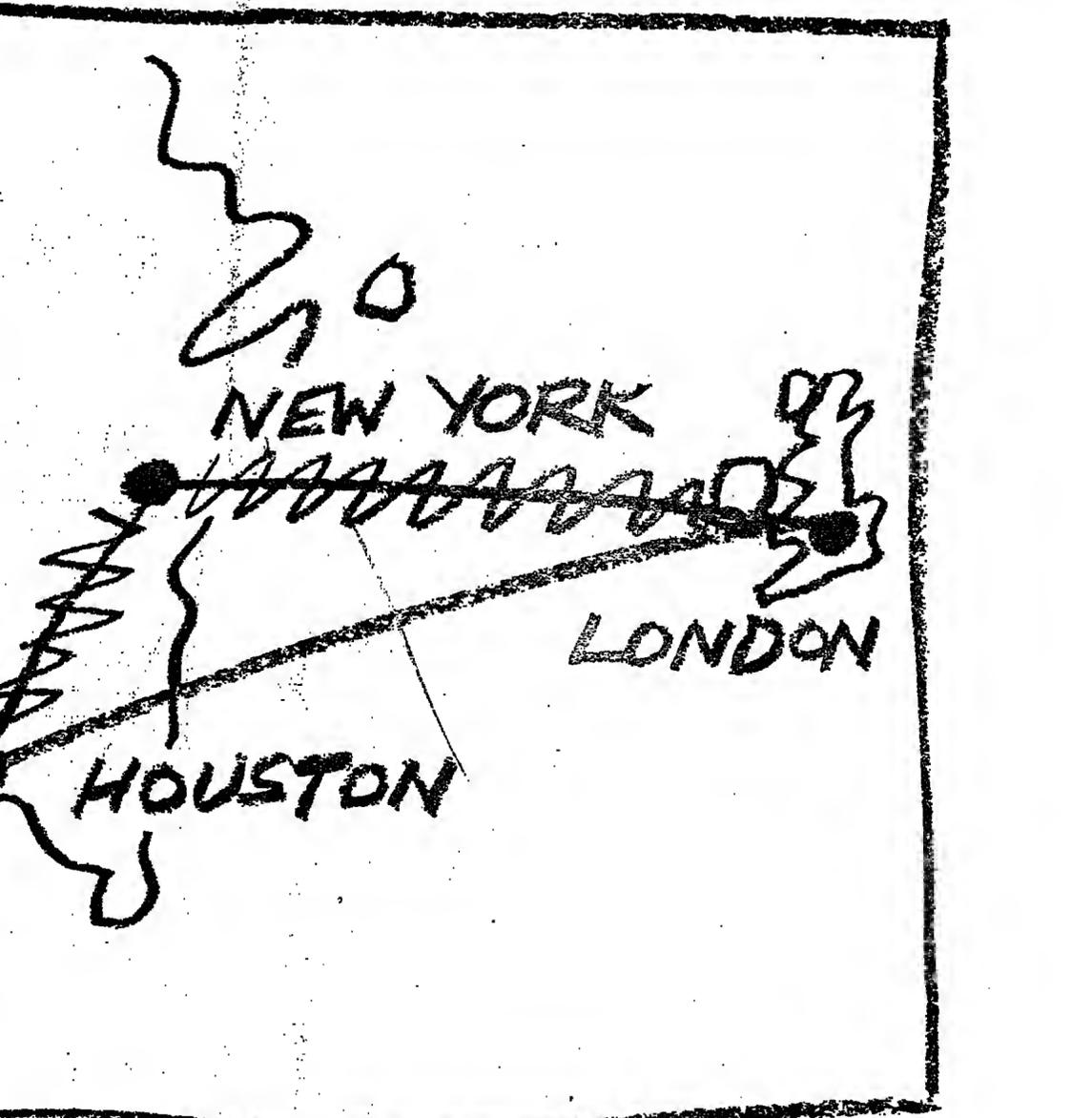
BY DIANA SMITH MADRID, Oct. 10. THE SPANISH road to democracy has taken a new and important turning as the result of a co-operation pact achieved between the cabinet and opposition leaders after 20 hours of talks at the week-end.

Machine tool prediction

MUNICH, Oct. 10. IMPORTANT structural changes can be expected in the slowly growing West German machine tool industry in the future, the IFO economic research institute said.

Row over flood measures as rains inundate north

BY PAUL BETTS ROME, Oct. 10. RAIN continued to fall over northern Italy, which has been badly inundated by floods in the past 48 hours, which killed more than 15 people.



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Icelandic strike threat

BY JON H. MAGNUSSON REYKJAVIK, Oct. 10. SEEMS almost certain that servants in Iceland will go on strike for the first time at night, while the Government is making a last-minute attempt to settle the wage dispute before it.

A 7-day P&O Cruise. A week's holiday on Canberra is as good as two weeks almost anywhere else if you're short of time. 28 October. Cruise on Canberra through Mediterranean sun to Naples and Athens. Fly home 4 Nov (7 nights) from £231.

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AMERICAN NEWS

U.S. considers 1978 tax cut to sustain growth

BY DAVID BELL WASHINGTON, Oct. 10. PRESIDENT CARTER'S economic advisers are now working on a proposed tax cut to be included in next year's budget...

Peru will allow sol to float

Peru's military government yesterday closed the foreign exchange market prior to announcing a free exchange market for the sol, the national currency...

Nicki Kelly examines the development of Nassau from tax haven into international financial centre

Why bankers find it better in the Bahamas

"IT'S BETTER in the Bahamas," says this year's Ministry of Tourism slogan. Most of the financial institutions doing business here would agree...

Postal optimism

The U.S. postal service, experiencing an unexpected rise in mail volume, is predicting a surplus in fiscal 1978 for the first time since the deficit-plagued agency was formed in 1971.

GM sales rise likely

General Motors expects strong fourth quarter car and truck sales in the U.S. and will increase its production schedules for the quarter considerably from a year ago.

Natural gas supplies

A Senate Subcommittee report has warned that the new Department of Energy has overestimated its ability to handle another natural gas shortage.

Pause that refreshes

A U.S. doctor has said that substances to speed the metabolism of alcohol to get it out of the system faster have proved a failure.

ANTARCTIC TREATY CONFERENCE

Sovereignty issue remains unsolved

BY PAUL CHEESERIGHT A DEFINITIVE conservation regime for fisheries in the oceans surrounding Antarctica should be concluded by the end of next year...

Gulf dockers defiant

DOCKERS at New Orleans, the second largest port in the U.S., are packed in containers, contending to maintain their York and knowledge that the defiance of a union instruction to limit strike action to container shipping...

Aerospace strike spreads to Lockheed plants

By Stewart Fleming NEW YORK, Oct. 10. THE STRIKE over a new contract in the U.S. aerospace industry spread today with an announcement that members of the International Association of Machinists and Aerospace Workers had walked out of three Lockheed plants in California.

To the holders of National Bank of Hungary (Magyar Nemzeti Bank) Redeemable Floating Rate Deposit Notes due 1981

A small consolation for those passengers who are carried away from Switzerland far too soon by the close connections in the Swissair timetable.



Every day thousands of international airline passengers in the Geneva and Zurich airport transit sections cast yearning looks out at Switzerland, so close you can almost touch it. A glass window shuts them away - an obstacle imposed by the Swissair timetable...



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OVERSEAS NEWS

Confusion remains over PLO policy for Geneva talks

PALESTINIAN attitudes towards the conditions for their inclusion in Geneva peace talks continue to fluctuate. From Beirut came reports yesterday of a hardening of positions and the insistence that the Palestine Liberation Organisation (PLO) itself would have to be represented. This has been rejected by Israel. However, the latest edition of Time magazine reported that the PLO would accept a reduced role.

Somalis in major drive on Dire Dawa

SOMALI guerrillas have launched a major drive to capture the mountainous eastern Ethiopian town of Dire Dawa, adding that the battle is likely to decide the outcome of the three-month-old war in the horn of Africa.

Major international bid to stop oil for Rhodesia

A MAJOR international effort to stem the flow of oil to Rhodesia is to be mounted in the next few months, beginning with a mission of African states in all oil producing countries and including the possibility of Commonwealth-backed UN mandatory sanctions on oil supplies to South Africa.

Curbs on multinational groups 'this winter'

INDIA WILL soon restrict the operations of multinational corporations, Industry Minister George Fernandes said today. The government will formulate, by the end of this month, a new industrial policy setting out the roles of foreign and Indian investors.

Janata and Congress disunity over Gandhi

THE TRAUMATIC events of the past week, culminating in the arrest and release of Mrs. Gandhi, India's former prime minister, have created disunity among her supporters — including her son Sanjay and others who were party leaders of both the Janata Party and the Congress Party.

India to buy Harriers

INDIA'S only aircraft carrier is to be equipped with Harrier modified as a cost of £170m, vertical take-off jets to replace about 11m to enable it to fly Sea Hawks. The number of Harriers to be bought from Britain has not been disclosed.

Palestinians 'building up' troop strength in Lebanon

THE PALESTINIAN forces in Lebanon have increased their personnel from 6,000, at the time of the cease-fire negotiated two weeks ago by the UN, to 10,000 men. They have also brought in additional arms and have taken new positions closer to the Christian enclaves, according to Maj. Saad Haddad, the commander of the Christian forces.

Australian payments

CANBERRA, Oct. 10. THE FIRST stages of the Australian Government's foreign borrowing programme contributed to a sharp drop in Australia's balance of payments deficit as measured by net official monetary movements, to \$440m. (\$30m.) in September from \$435m. in August.

Lebanon workforce depleted

LEBANON'S civil war reduced the Nation's workforce, lowered already slipping educational standards and has threatened the country with economic and social backwardness, according to the first comprehensive study on the effects of the 19-month conflict.

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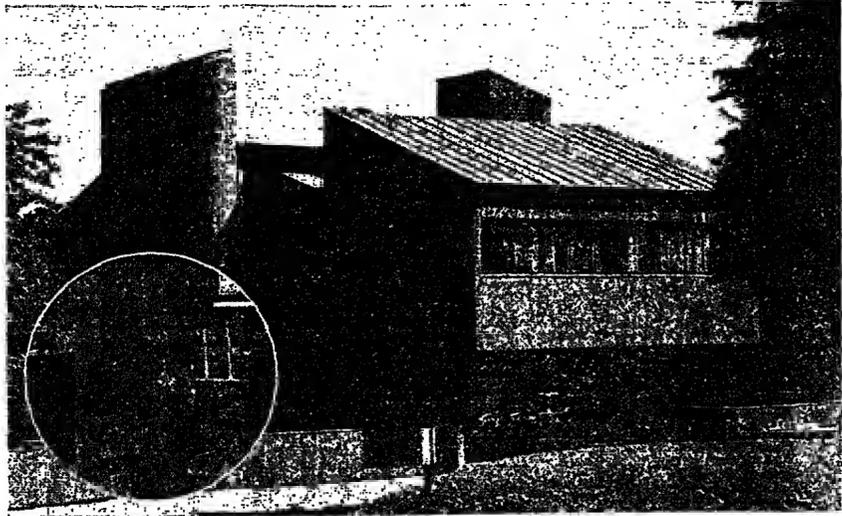
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WORLD TRADE NEWS

Gloomy forecasts for world steel

BY ROY HODSON. ROME, Oct. 10.

THE WESTERN world's real demand for steel this year will fall short of the industry's expectations by almost one-tenth. Steel output for the year is not expected to exceed the 1976 level of 454m tonnes.

The International Iron and Steel Institute believes that output could even decline to several million tonnes below that estimate.

The deep crisis facing the world steel industry was reflected in gloomy forecasts by leading steel makers during key speeches at the opening of the ISI conference today.

Mr. Eishiro Saito, President of the Nippon Steel Corporation and the new ISI president, said pessimism was becoming widespread because no significant improvement in the balance between supply and demand of world steel was in sight.

He felt that in the longer term steel demand was unlikely to grow at the rate it had once shown, and earlier projections for world demand needed to be lowered.

The Japanese steel industry was in "a most depressed state," he said. This year was expected to decline to about 103m tonnes against former levels of about 120m tonnes, while the companies were desperately trying to bring down production costs in an attempt to regain their export power.

Mr. Alberto Capona, chairman of Finisider, the Italian State-controlled steel company, welcomed the 330 delegates with the words: "A deep crisis has struck our industry, and he could not see 'any signs of recovery'."

Mr. Charles Baker, the Secretary-General of ISI, disclosed that the Western world's consumption of steel will not be more than 490m tonnes this year—9 per cent below previous estimates.

The ISI does not expect any significant recovery next year either. Overall growth of steel consumption in 1978 could reach 470m tonnes, a 5 per cent increase over this year.

"But it will be a very modest increase," said Mr. Baker. The ISI has suggested a longer-term forecast of steel production and demand and is predicting steel shortages in the mid-1980s after the present slump.

"The Institute concludes that steel plants are in the planning stage or under way or in the planning stages could provide a Western world steel-making capacity of 700m tonnes by 1985, compared with the current capacity of 625m tonnes, indicating an annual expansion of 15 per cent."

Mr. Baker told the steel-makers that such a small annual increase in steel making plant would not seem to be enough to cover world steel needs in the 1980s. He warned them: "The impact of the present recession and the uncertain outlook on investment activity could once again result in an imbalance between demand for and supply of steel, thus increasing the amplitude of the steel cycle."

A country-by-country analysis of the probable development of steel-making in 1985 has been made by the institute.

The European Community has been cutting back on steel projects and is expected to raise capacity by only 9m tonnes. The ISI says that Britain is contributing the biggest share of new European steel-making plants.

Among other European nations, the principal expansions will be in Turkey, Yugoslavia and Spain.

In North America, a net expansion of 13m tonnes is expected—less than half previous forecasts—in Canada and the U.S., while Latin America is expected to

carry on with big steel industry development. Brazil will be the major contributor, via important projects also in Venezuela, Mexico, Argentina, Chile and Peru.

A large expansion program in Africa is expected, compatible with the present level of output. Plans are under way to increase steel-making capacity in the Middle East to increase its making ten times by the mid-1980s.

The Far East is expected to install 44m tonnes of new steel-making plants by the mid-1980s with expansions in India, Korea, Taiwan and the Philippines. Japan is expected to expand at a lower rate than previously forecast.

The crisis in the European American steel industries is accentuated by the loss of export market shares to imported steel. A further factor identified by ISI is the price erosion resulting from massive importations.

Mr. Baker summed up the dilemma for world steel: "It is the international industry's preserve to maintain a liberal policy of free access to domestic markets."

The ISI was fully committed to both objectives, he said.

Italian dumping nears solution

BY PAUL BETTS. ROME, Oct. 10.

FOLLOWING talks here between the EEC Steel Commissioner, Visconti, Etienne Davignon, and a number of producers of reinforced steel bars from the north Italian region of Brescia, there are now signs that the controversy involving alleged Italian dumping charges within the EEC may be resolved.

After a meeting over the weekend with the Brescia producers Visconti Davignon, currently in Rome for the world steel conference, said that although no agreement had been reached, the basis of an eventual accord had been laid.

The EEC Steel Commissioner said further talks would be held in Brussels in about three weeks time.

The Brescia producers of reinforced steel bars have been accused of repeatedly exceeding EEC export quotas and selling below the EEC minimum fixed prices.

This has led to threats by both France and West Germany to close their respective reinforced steel markets to Italian producers who have been stepping up their overseas sales campaign following the stagnation of domestic construction.

The Italian producers claim that the EEC countries represent about 40 per cent of their total sales. They add that current EEC production quotas for Italy are far too low for the sector's current capacity and prices are too low to be profitable.

In the Brescia region there are some 80 units producing more than 3.3m tonnes a year of reinforced steel bars employing about 13,000 people. The EEC authorities have so far had some 45 enquiries concerning the alleged infringement of EEC regulations by a number of the Brescia producers.

Iran order lifts hopes for Airbus

BY DAVID CURRY. PARIS, Oct. 10.

THE DECISION of the Iranian airline to purchase a fleet of up to ten Airbus aircraft is at last beginning to attract substantial orders rather than being sold in experimental jobs.

With SAS also discussing the acquisition of a dozen of the Airbus Industrie consortium can now have hopes both of coming within a respectable distance of breaking even on the programme and of persuading

Announcing the Airbus deal to Iran, Gen. Ali Hashemi Kadem, head of Iranair, stressed that the airline still intends to purchase two A300-600 French Concordes. His remarks follow recent speculation that Iranair was about to cancel a preliminary purchase agreement reached some months ago.

The French and German governments to make available funds to diversify the Airbus range.

The shape of the Iranian order is still not clear. "All we know is that we will deliver the two leased aircraft in March next year. How many of the aircraft Iran will buy, will be firm orders, and how many options we do not know," a company spokesman said.

The biggest operators at present are Air France, with 18 orders and options, and Lufthansa with 13. The German airline is known to be interested in a shorter version of the aircraft—the B10—to seat 200 rather than the 250 of the B70 version carrier.

The Iranian airline could become the first purchaser in order of the aircraft with Pratt and Whitney JT9 engines rather than General Electric since it is a big engine operator, but the job aircraft is leasing will be powered by General Electric units.

Brazil car production down 8%

BY OUR OWN CORRESPONDENT. RIO DE JANEIRO, Oct. 10.

THIS year's recession in the Brazilian motor industry, the first in its 30-year history, is continuing unabated with production in the first nine months down 8 per cent on 1976 and a further 8 per cent down.

Although some improvement is expected with the introduction of up-dated models by Ford and General Motors, September's figures showed a particularly sharp setback. Production was 18 per cent down at 68,963 units and sales slipped 18 per cent from September last year to 64,282 units.

In the nine months from January to September, output decreased to 667,206 from 738,382 in the same period of 1976, according to the National Association of Motor Vehicle Manufacturers. Sales totalled 657,406 units against 729,086. Of this year's total 48,900 vehicles were exported.

The recession means that the Brazilian motor industry will reach its hoped for 1975 goal of 1m vehicles a year.

Mr. Jenkins will also spend much of his time talking about Europe and Japan's respective positions at the multilateral trade negotiations (MTN) in Geneva which began life as the Tokyo Round of trade talks in September 1973.

Jenkins to see Fukuda at Tokyo trade talks

BY DOUGLAS RAMSEY. TOKYO, Oct. 10.

JAPANESE OFFICIALS expect Mr. Roy Jenkins to make a surprise visit to Tokyo when he visits Tokyo this week, arriving tomorrow but insiders reckon the EEC Commission President is unlikely to repeat the sharp attack on Japan of the sort delivered by Mr. Edmund Dell, the British Trade Minister, last spring.

In fact, the details of trade disputes will probably take second place to the less technical problem of Japan's overall trade imbalance with the Community. EEC sources estimate that the deficit on trade with Japan will be \$550m in 1977, compared with \$3.7bn last year.

Mr. Jenkins will also spend much of his time talking about Europe and Japan's respective positions at the multilateral trade negotiations (MTN) in Geneva which began life as the Tokyo Round of trade talks in September 1973.

During his stay in Tokyo, Mr. Jenkins will see Prime Minister Mr. Takeo Fukuda and his Foreign Minister, Mr. Ichiro Hayama, for a one-hour session on Wednesday before an official dinner.

Thus, it is unlikely that Mr. Jenkins will have much chance to get down to detailed discussions with Mr. Fukuda on this occasion.

On Sunday the leading Japanese business daily, Nihon Keizai, carried an article on Mr. Jenkins's visit suggesting that the EEC Commission President would ask Japan to set up a joint working party on import promotion.

But sources close to the EEC delegation in Tokyo insist that no such request has been formulated, although Mr. Jenkins and Japanese officials may decide during his visit to launch a joint committee to monitor balance-of-payments statistics of the two sides.

U.S. investment sought for Northern Ireland

BY GILES MERRITT. DUBLIN, Oct. 10.

Industrial Development Authority but observers are already speculating that they may be worth over £20m.

Among the projects announced by Mr. O'Malley are a major expansion by the Blue Bell manufacturers of Wranglers jeans in which the North Carolina-based clothing manufacturer will be raising its Irish workforce from 500 to 1,500.

New manufacturing operations are to be established by Eaton Allied of Brooklyn, New York which will employ almost 400 people at a new links and type writer materials factory in O'Fally.

Masuko Products of Norwich, Connecticut, is to establish a pharmaceutical plant providing 150 jobs in Co. Wick; and Avdon Corporation of Pennsylvania will next year open a 10m Dublin operation in manufacture of micro-wave data terminal transmission units.

W. German coal accord

BY ADRIAN DICKS. BONN, Oct. 10.

WEST GERMANY and the U.S. have signed two agreements designed to concentrate and share research on advanced coal technology. It was announced here over the weekend, following a brief visit to Bonn by the U.S. Energy Secretary, Dr. James Schlesinger.

Brief details of the cooperation between the two countries were made known after last week's ministerial meeting of the International Energy Agency in Paris. The West German Government stressed on this matter that the IEA had been the medium through which details of this large-scale bilateral collaboration had been negotiated.

Taken together, the two projects introduce a transit tax of about 0.0150m, which will be divided equally between the two governments.

Accompanied by a small group of specialist officials from Berlin who include Dr. Theodor Duesley, author of a probing report on the province's economic decline, Mr. Mason begins his visit in New York and will travel out in the west coast before finishing in Washington, where he will have talks with members of the Carter Administration.

Mr. Mason's departure coincided with the arrival back in Dublin from a similar mission in the U.S. of the Republic's Industry and Commerce Minister, Mr. Desmond O'Malley, and his announcement of 2,250 new jobs.

Seven U.S. corporations have decided to either expand existing plants in Ireland or set up new operations. The Dublin Government has avoided pointing the finger on the new investments as a proportion of the costs will be refunded by the Republic's

ROAD TRANSPORT Austria takes risk over transit tax

BY PAUL LEVDVAI IN VIENNA.

THE projected transit tax on foreign and Austrian road hauliers has sparked off here major public controversies which the domestic road haulage industry urging the Government to reconsider its plans.

The Austrian Government officially gave notice of its intention to introduce a transit tax of July 1, 1978 which should yield Sch.2bn. (about £69m.) by next year end Sch.4bn. to a full year.

Foreign road hauliers are expected to be subjected to a transit tax of "at least" 80 groschen (or about 2pt per ton kilometre). Domestic road hauliers would have to pay a lump sum of Sch.1.000 per ton of load capacity per annum. A further 500 groschen will be subjected to the new levy.

The details of the new tax have not yet been revealed and the draft Bill has not even been submitted to the usual process under which such institutions as the Chambers of Economy, Labour and Farmers deliver expert opinions before the draft stage is completed.

However, the plan is an important part of the austerity measures just proposed by the Government to cope with the strains in external payments and to reduce the budget deficit.

The movement of freight through Austria would of course be severely affected by the projected transit tax. Transit freight traffic by road last year (excluding Austrian exports and imports) totalled some 12.6m tons with over 10m tons representing north-south traffic.

Transit traffic originating from Britain last year reached 31,000 tons. These figures however vastly underestimate the real volume of traffic.

The Austrian freight agents, and also the Federal Chamber of Economy and the Foreign Ministry are strongly critical of the projected regulations. The point is that a retaliation by neighbouring or other European countries would harm the domestic industry more than the Austrian tax the foreign freight forwarding agents.

Operating from a landlocked central European country, some 18,000 lorries of 700 domestic road hauliers have in use international routes for two-thirds of their traffic.

It is reckoned that retaliation by foreign countries would in the final analysis add between Sch.1.5bn. to Sch.2bn. to Austria's balance of payments deficit.

Advocates of the measures point out that road traffic by foreign lorries has been doubling every four or five years and that the lorry from the transit tax would not only provide additional revenue for the Treasury but would also accelerate the badly needed shift from road to rail and to cover part of the infrastructure investments.

The domestic environment and the Chamber of Economy are however other more flexible and less controversial measures, including retaliation

only against countries which have already introduced prohibitively high taxes (Turkey and Yugoslavia) and a partial tax on foreign lorries which carry more than 30 litres of petrol.

The fate of the projected measures depends on the reaction abroad and the official opinions to be expressed by the Austrian Foreign Ministry.

It is understood that the Czechoslovak and Dutch authorities have already warned the Austrians that they would return in immediate retaliatory measures as soon as the Austrian transit tax came into force.

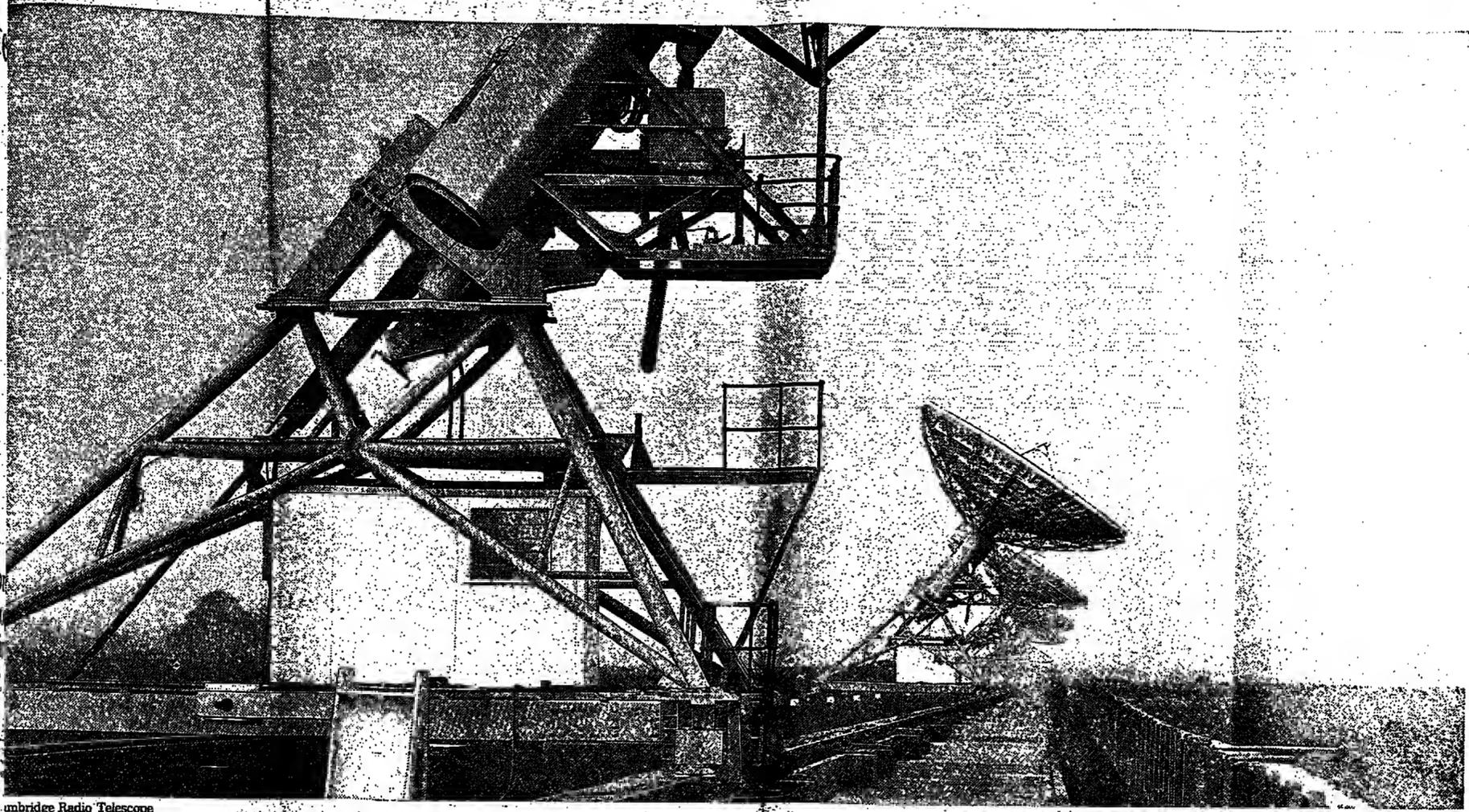
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Cambridge Radio Telescope

BICC-people who make things work in the air

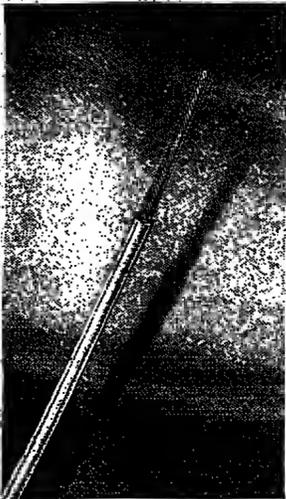
capturing images of his home and family through the lens of his 8mm cine camera, Ernest Adams relaxes. But Ernest recalls images of a far more complex nature — images of galactic radio sources eight years from earth — captured by the 5 kilometre Radio Telescope near Cambridge, which he helped to make operational.

Critical to the operation of the telescope are the cables which transmit radio signals between each of the eight aerials and the central receiving equipment. These radio frequency cables of a BICC design had to be cut to identical electrical lengths, involving an accuracy unattainable with conventional techniques. Ernest provided the answer to the problem with the development of a special cable cutting technique. This used a time domain reflectometer capable of matching lengths of cable pairs to an accuracy of one part per million.

Ernest was just one of the BICC team who manufactured and installed all of the diverse cable types required for the telescope — just one of the team of BICC's 4,000 people worldwide, people who make things work.

Wilf Atkin is another — an ideas man, expert in aircraft cable design. In his spare time Wilf chooses a much more down to earth pastime — winemaking — but one which equally satisfies his taste for a challenge.

Wilf headed the team who have successfully developed cable designs to meet the increasingly stringent specifications of aircraft manufacturers. The same team who developed cables for the latest generation of military aircraft — Jaguar, Harrier, and the MRCA. And whose greatest achievement was the design of an airframe cable for the Concorde.



Cable KP210 — designed by BICC for Concorde.



Hawker Harrier 'Jump Jet' extensively wired with BICC aircraft wiring cable.

The supersonic performance of Concorde created higher operating temperatures for cables. Weight was also a critical factor. The requirement was therefore for an airframe cable lighter than existing types and able to operate at higher temperatures. After months of design study, prototype work and the most extensive series of tests ever carried out on an airframe cable, Wilf and his team evolved KP210, a cable of unique design which met the demanding specification in every aspect.

Throughout the aviation industry, BICC is present. Active, making things work; ensuring safety in the air. BICC cables and accessories help air traffic controllers monitor the complex flight paths with the radar, data processing, communications and display systems installed at the new London Air Traffic Control Centre.

BICC helps us all, by doing the groundwork to make things work in the air.

The BICC Group is diverse: one of the world's foremost cable manufacturers and designers; but also deeply involved in the refining and fabrication of metals; heavily committed to research and development in new communications technology; with a major stake in civil engineering and contracting through Balfour Beatty, a BICC company; possessed of hard-won skills in tunnel design and construction, and railway electrification; with specialist expertise in industrial plastics, electrical accessories, capacitors, printing plates... One thing makes it all work. One thing makes BICC a stable, successful, growing company that competes successfully in so many different markets. The quality of its people. Highly trained people committed to getting things done — better than before — for the benefit of all of us.

This booklet tells something of the range of skills of BICC and its people, something of their achievement, and indicates a great deal about their promise for the future.

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Wilf Atkin: 'a taste for a challenge'



A BICC specially designed airframe cable is used on Concorde, the world's first supersonic passenger airliner.



Makes it work

HOME NEWS

Ministry allays fears on sugar supplies

BY CHRISTOPHER PARKES

LABOUR TROUBLES at the British Sugar Corporation's two processing factories present no immediate danger to household supplies of sugar, according to the Ministry of Agriculture.

One sugar market specialist suggested that even if the whole of Britain's beet crop—expected to yield up to one million tonnes of sugar this year—were left to rot in the ground, there would still be no need to fear a shortage.

Rumours of famine have already caused some panic-buying and stockpiling in parts of Britain. Managers of Sainsbury supermarkets have been given permission by head office to ration shoppers to a maximum of two 1 kilo bars each.

A spokesman for the company said yesterday that this was a "mild precaution" authorised to ensure that "hocks of women rushing off with 12 lbs each did not cause artificial shortages."

There are ample stocks of sugar in the U.K. the Ministry claimed, and in any case refined sugar from this year's beet crop would not normally reach the shops for some time.

The Ministry added: "The British Sugar Corporation is only one of three sources of supply to the British market. A major

part of our supply comes from cane sugar refineries."

UK farmers produce about one third of the sugar used in Britain each year. Up to 1.5 million tonnes comes from cane grown in the tropics and the rest from other Common Market countries.

The EEC is expecting a bumper crop this year after two years of reduced yields caused by drought. This is expected to lead to an exportable surplus of 2 to 3 million tonnes—more than enough to cover any local shortage in one member state.

Frost threat

Farmers in the Midlands and East Anglia, who have been told to leave their crops in the ground, are growing concerned at the effect of the delays on their winter cultivation schedules.

The crop's main enemy at this time of year is frost. But while the roots are in the ground and as long as there are no periods of unusually cold weather, their sugar content could continue to increase.

Our Labour Staff writes: The industrial problems at the British Sugar Corporation eased yesterday when workers at one of five of its factories which have so far refused to co-operate

with the harvest decided to call off their action.

The decision to co-operate with the 24-hour shiftwork necessary for sugar beet processing to begin was taken at the Corporation's factory in Ailsce, Shropshire, in spite of union warnings over the week-end that industrial action could spread. Unofficial action at the five factories, which together account for about one-third of the corporation's production, started a week ago in support of a 20 per cent pay claim by union negotiators for a workforce of about 5,500.

At the end of last week pay talks broke down when unions rejected an offer of basic rate increases of 8.8p to 10.4 per cent, with an extra 4 to 7.1 per cent to be made available in a self-financing productivity scheme. The basic rate increases, the company said, would mean a 10 per cent increase in the wage bill in line with Government policy and the total deal, with productivity based on a 1m. tonne forecast, was estimated at 18.7 per cent.

The unions, however, are standing firm on their demand for better improvements for the lower paid in the factories whose basic pay, they claim, can be as low as £4.50 a week. Sugar row, Page 35



The latest in car design — 1914 style. Sir Richard Dobson, British Leyland chairman, drove this Ballinor Morris to the opening in Oxford yesterday of the Nuffield Centenary Exhibition, celebrating the birthday 100 years ago of William Morris.

Company sector's finances improve

BY MICHAEL BLANDEN

THE FINANCIAL position of the company sector improved considerably in the second quarter of this year, largely as a result of a lower level of stock appreciation.

The latest figures from the Central Statistical Office show that the net seasonally adjusted financial deficit of industrial and commercial companies was £384m in the second quarter. This compared with a figure of £1.15bn in the previous quarter.

The improvement has occurred in spite of a slight fall in the total amount of undistributed income in the company sector— which represents the savings of companies— between the two quarters from £3.13bn to £3.06bn.

This figure, however, included only £940m of stock appreciation compared with £1.63bn previously. After allowing for this factor, savings net of stock appreciation were no more than £1.5bn, to £2.1bn.

Out of this, companies increased their spending on domestic fixed capital formation from £1.96bn to £2.49bn. But the rise in stockholding was much less at £29m, than the £72m in the first quarter.

Taking the first half of the year as a whole, which generally provides a clearer indication of the trend, company savings rose from £3.1bn in the second half of 1976 to £3.6bn, after deducting stock appreciation. Stockholding at £1.1bn, was much higher than in the second half of last year. This left the net financial deficit for the half year up to £0.9bn, to £1.7bn.

The figures also show that gross trading profits of companies rose from £7.8bn in the second half of 1976 to £8.4bn. The gain after deducting stock appreciation was greater, from £3.5bn to £5.5bn. This reflected the substantial fall in stock appreciation which resulted from a slowing down in the rate of increase in commodity prices.

Lex, Back Page

Beer price 'freeze' ended

By Kenneth Gooding

THE UNOFFICIAL beer price freeze has been ended by the West Country group, Devonish, and its action may encourage several more small brewers to follow.

Since the Price Commission's report on beer prices was published at the end of July, the brewers have been unwilling to go ahead with price rises in case they provided the Commission with new grounds for another investigation of their industry.

Although the Commission will clearly be much more interested in the price plans of the six major groups, some smaller companies are also worried about the reaction to any increases they might implement.

Big groups

The last time Devonish lifted prices was in January. Like many other regional brewers it held back in June when the big groups were putting up their prices.

There was fear at the time that an official "freeze" might be imposed on beer prices immediately the Commission reported.

The effects on Devonish's revenue of the decision to hold back can be judged by the size of yesterday's price rise. A 10 per cent advance increase has the effect of lifting some beers by 3p a pint.

Devonish was not obliged to notify the Commission. It told the tenants of its 400 public houses that the increases were caused by "rising labour and material costs."

Mr. Anthony Lincoln, QC, was opening a £17m claim by an eight-company consortium, headed by Hamilton Brothers Oil (Great Britain).

The consortium, which includes Rio Tinto-Zinc Corporation and Blackfords Oil, a subsidiary of Associated Newspapers, is suing Panamanian company, Ocean Contractors Inc over the withdrawal of a derrick barge with its equipment, divers and other personnel from the Argyll field in June, 1974.

The action is expected to last at least six weeks, with experts from six countries, giving evidence.

Mr. Lincoln said the plaintiff companies claimed that their operations had been dislocated, causing delay and large additional costs and interest charges on a heavy capital investment.

The Oceanic barge could have finished the job in 65 days at a cost of \$5m, and the field would have come on stream in 1974.

Instead, using inferior equipment from other sources, it cost \$17 to \$18m, and did not come on stream until June, 1975.

Mr. Lincoln said that their defence was that their contract with the consortium was subject to pre-existing commitments in another customer, Placid International Oil, in the Dutch sector of the North Sea in 1974.

One of the features of North Sea drilling operations was the great shortage of skilled operators and harners. It might well be that Oceanic had taken on more work than they could cope with.

NEB buys Bull Motors (Ipswich)

BY JOHN LLOYD, INDUSTRIAL STAFF

THE NATIONAL Enterprise Board has acquired Bull Motors (Ipswich) from the U.S. concern (A. O. Smith for £335,000.

The NEB has also invested £1m, to the company, mainly to retool and to develop a new range of products. Bull Motors is one of the world's leading manufacturers of DC electric motors for lifts and elevators.

The acquisition of the company follows extensive restructuring by A. O. Smith, involving the transferring of one of the company's lines, hermetic motors to the Irish Republic, and the subsequent sacking of about 80 of the 380-strong workforce.

Last year, Bull Motors showed an operating loss of around £60,000 on a £3m annual turnover. NEB officials say, however, that the redundancies achieved before purchase have restored the company to potential profitability.

Mr. John Speers, the NEB's divisional director, said: "This is exactly the sort of specialised small company which the NEB can help. The investment will safeguard profitable manufacturing employment and maintain exports that would otherwise be lost to Britain."

Exports—largely to the U.S.—account for up to 75 per cent of Bull Motors's sales.

Mr. E. J. Woodhead, managing director, said yesterday that the depressed state of the British industry, and in consequence the relatively low demand for elevators in the U.K. and the U.S., had been in part responsible for a disappointing performance.

A. O. Smith's sale of Bull Motors to the NEB marks the final divestment of its worldwide interests in lift and elevator machinery.

Mr. Woodhead remains managing director of the company. Mr. Michael F. Nash, who runs his own company of Frank Nash Consultants, will take over as part-time chairman.

Mr. Speers said his analysis of the NEB's position had convinced him that it could hold out and extend its share of the work market in lift equipment.

More problems with Ninian platform

BY KEVIN DONE

CHEVRON PETROLEUM has encountered further problems with the construction of its £120m central platform for the Ninian Field, following the discovery of cracks in the steel welds of the deck structure.

The 70-ft wide platform was to have been floated out of the McDermott yard at Ardersier in May or June this year. Delivery is not now expected until the end of this month.

McDermott is a sub-contractor for Howard Doris, which has been building the concrete production platform at Loch Kishorn on the west coast of Scotland.

Cracks have been discovered in steel plating on the deck and in the steel beam assembly, which supports the drilling rig. Altogether about 600 feet of weld have been found to be faulty.

Repairs are being carried out. Before the deck leaves, they will be checked by inspectors from Howard Doris and Chevron, the Ninian Field operator.

Mr. Glen Schurman, managing director of Chevron, said yesterday that the damage did not in any way affect the long-term safety of the structure and it would not cause any delay in the placing of the platform in the North Sea.

The platform was originally scheduled for float-out this year but other problems experienced by Howard Doris at Loch Kishorn—chiefly the sinking of a barge carrying a concrete derrick during a storm a year ago—caused the company to miss the 1976 summer window.

The summer period when installations can be made in the North Sea. That delay is expected to hold back production by about eight weeks.

When the deck repairs are finished, the deck will be floated around the northern tip of Scotland to the Inner Sound of Raasay, near the Isle of Skye, where it will be joined to the platform.

Because of the delay, a large part of the hook-up and commissioning work, including the testing of drilling and life-support equipment which were to have taken place in the North Sea, will be completed onshore before the platform is floated out to the Ninian Field, 105 miles North-East of the Shetland Islands.

The participants in the Ninian Field are British Petroleum, British National Oil Corporation, Imperial Chemical Industries, L.S.M.O., Murphy, Ocean Drilling and Exploration, Ranger, and Social (Chevron).

London bank wound up by High Court

THE INTERNATIONAL BANK and Trust Company of the Middle East was compulsorily wound-up in the High Court yesterday, Mr. Ehen Hamilton, for the petitioner, Prince Fawzi II, Emir of the United Arab Emirates, ambassador to Zaire.

Mr. Justice Templeman said the bank had failed to comply with an order made earlier this year that it should co-operate with a firm of accountants in report on its financial position.

He said that the bank had now "closed its doors".

Prince Fawzi, a shareholder, creditor and former director of the bank, based his petition on an alleged debt of £4,000 which arose when the bank failed to clear his cheque in favour of London Hilton Jewellers.

The judge directed that the costs of the Secretary of State for Trade, who had presented a second petition, should be paid out of the proceeds of the liquidation.

North Sea contractor 'took on too much'

LEGAL ACTION started over North Sea oil equipment was the result of a company "biting off more than it could chew" and promising the same equipment to two customers, it was alleged in the High Court yesterday.

Mr. Anthony Lincoln, QC, was opening a £17m claim by an eight-company consortium, headed by Hamilton Brothers Oil (Great Britain).

The consortium, which includes Rio Tinto-Zinc Corporation and Blackfords Oil, a subsidiary of Associated Newspapers, is suing Panamanian company, Ocean Contractors Inc over the withdrawal of a derrick barge with its equipment, divers and other personnel from the Argyll field in June, 1974.

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One of the features of North Sea drilling operations was the great shortage of skilled operators and harners. It might well be that Oceanic had taken on more work than they could cope with.

Miss Daisy Hyman, who runs Tesco's buying operation, does not accept this argument. She is used to taking on manufacturers and winning. This time, she is presumably hoping that General Foods and Nestlé will have to cut their prices—or at least withdraw the latest increase.

In this aim, she is not alone. All the major supermarkets are working on very fine stocks of coffee and some like Fine Fare, have decided not to replenish supplies of the higher priced brands, like Gold Blend, at the new prices.

Anger in Brazil, Page 35

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ISSUED BY THE DEPARTMENT OF INDUSTRY in association with the Scottish Economic Planning Department and the Welsh Office.

COFFEE PRICE BATTLE Tesco to the rescue

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

TESCO HAS yet again pulled off a public relations coup by making the best out of what other lines like to have been a difficult situation.

Just as in the summer, when it presented itself as the housewife's friend by dropping the trading stamps it had used for the last 13 years, it now seems to have consolidated that image by refusing to buy the trading brands of instant coffee at their new higher prices.

In fact, behind Friday's news that the company would not buy any more Nescafe or Maxwell House coffee until the manufacturers brought their prices down was a shortage of stock. It is because they had adequate supplies of coffee bought at the old price. Some still have several weeks cover left now but Tesco has all but run out of supplies.

This left Tesco with the option of either putting up its prices before its competitors or refusing to buy more at the high price and making do instead with cheaper own-label brands.

Not surprisingly, in view of Tesco's tough record in dealing with its suppliers, it decided to try to call the manufacturers' bluff and refuse to buy more coffee until the price came down.

On the face of it, Tesco had a good case for taking this stance. After all, the world price of coffee is now well below its

Spring peak and yet the retailers are being asked to pay more for it.

The manufacturers, such as Nestlé, argue that this attitude is unreasonable. They say that two years ago, consumers were benefiting from the time-lags in the coffee distribution chain. It was not until six months after the world price of coffee started increasing that the housewife had to pay more for her instant coffee in the shops.

Now the reverse is true and the housewife will have to wait some months before the shop price starts falling. Nestlé said yesterday that there was little possibility of any price cuts until the New Year.

Miss Daisy Hyman, who runs Tesco's buying operation, does not accept this argument. She is used to taking on manufacturers and winning. This time, she is presumably hoping that General Foods and Nestlé will have to cut their prices—or at least withdraw the latest increase.

In this aim, she is not alone. All the major supermarkets are working on very fine stocks of coffee and some like Fine Fare, have decided not to replenish supplies of the higher priced brands, like Gold Blend, at the new prices.

Anger in Brazil, Page 35

Johnnie Walker
Black Label

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HOME NEWS

NEW ECONOMIC CLIMATE NEEDED, SAYS SIR KEITH JOSEPH

Tories launch plan to protect small businesses . . .

By John Elliott, Industrial Editor

THE CREATION of a new class of limited liability companies... The pamphlet contains suggestions on tax and other subjects for adoption as Conservative policy on small businesses...

tax switched from earnings to a stable environment by refusing to take part in the Lever inquiry... Mr. Wainwright, who with Mr. Geraint Howells, MP for Cardiff, is to meet Mr. Lever tomorrow...

Muzorewa jeered by Tories

By John Hunt, Parliamentary Correspondent

BISHOP Abel Muzorewa, President of the Rhodesian United African National Council, was given a rough ride in Blackpool when he launched an outspoken attack on Conservative Party policy towards Rhodesia...

Datsun dealers want voluntary system of curbing imports

By Terry Dodsforth, Motor Industry Correspondent

DATSUN CAR dealers suggested yesterday that one way of helping the British motor industry out of its present troubles would be for all importers to develop a system of voluntary restraint on a temporary basis...

The dealers, he added, wanted to take a responsible attitude to the problems in the British industry. For example, when the dealers visit Japan later this month they will be lobbying the Japanese to do everything they could to help expand their own market to British car exports...

More Home News on Page 29

... and they want to reduce National Freight Corporation

By Ian Hargreaves, Transport Correspondent

A CONSERVATIVE Government would cut the size of the National Freight Corporation and allow it to seek private investment, according to a paper on Conservative transport policy published yesterday...

able degree in the last two years. The paper speaks of the Labour Government's "dead-bed repentance" on key points of ideology. One of the few points on which the old party political differences surface concerns the National Freight Corporation—the biggest road freight operator in Britain and very much a compromise effort at nationalisation of the road haulage industry by Labour in 1968...

Cars for sale to carry miles-per-gallon labels

By Kevin Done

ALL NEW cars on sale in garage showrooms and on forecourts from April 1 next year will have to carry a label displaying official fuel consumption figures...

Fisons allowed interim price rises

By Eliner Goodman, Consumer Affairs Correspondent

FISONS IS to be allowed to raise its prices by 70 per cent the amount originally proposed while they are investigated by the Price Commission...

Prentice rejects call to quit seat

By Philip Rawstone

MR. REG PRENTICE yesterday defiantly rejected demands from Labour MPs that he should resign his Commons seat at Newham North-west because of his defection to the Conservatives...

Warning on 'divisive' work rules

By Our Labour Correspondent

INEQUALITIES in conditions of employment between white-collar and manual workers are fundamentally divisive and responsible for many of the conflicts in industry, the Young Conservatives say in The Workers' Charter, a booklet on industrial policy published today...

INFORMATION OUT? Decision day is DEC 7. Every business in the United Kingdom is facing an important decision. By December 7th your company must decide whether or not to contract out of the new State Pension Scheme. This free booklet neatly condenses the complex issues involved and will help you make the right choice. Send for your copy today.

£1.4m. windfall for medical research

By David Fishlock, Science Editor

AN UNEXPECTED windfall of about £1.4m. promises to give the Medical Research Council freedom to fund new research projects. New areas of research to which the council is giving priority include dementias—believed to affect about 5 per cent. of the over-65s—hearing, rehabilitation after strokes and injuries, eye disorders and psychiatry.

New Engage dictating system: word perfect... price perfect. You get everything you want with new Engage dictating machines. They are three parts: the System, the Engage 80 Note-Taker, the Engage 82 'Secretary' transcriber, and the Engage 83 'Executive' dual-purpose machine. You can buy any one of them separately. They are just as effective working on their own as when used in conjunction with each other.

Bow report backs home ownership

By Michael Cassell, Building Correspondent

THE PERCENTAGE of owner occupied homes in the U.K. will never rise above 60 per cent. of the total housing stock if local authorities continue to build at the present rate, according to a report published by the Conservative Bow Group. The report by Angela Killick, a civil servant and member of Westminster City Council, points out that owner occupation has more than doubled since the war, to a level of about 54 per cent. The pattern had been made possible by an increase in the number of houses being built as well as the contraction of the private rented sector.

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LABOUR NEWS

Financial Times Tuesday October 11-1977

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OCTOBER 24 1977 For details of the editorial synopsis and of advertising rates contact: Stephen Cooper

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

TRANSCARE INTERNATIONAL The Independent Medical Repatriation Organisation provides a DIRECT PRIORITY COMMUNICATIONS ASSISTANCE SCHEME

British Oxygen gas depot workers on pay strike

BY ALAN PIKE, LABOUR CORRESPONDENT MANUAL WORKERS in British Oxygen's gases division went on strike yesterday after hearing the company's rejection of its pay guidelines...

Funeral workers agree terms for return

By Our Labour Staff AGREEMENT WAS REACHED yesterday between employers and unions in the week-long strike by London funeral workers...

Darlington report to back interim status quo

BY ALAN PIKE THE MEDIATOR'S report on the National Union of Journalists' closed shop strike at North of England Newspapers, Darlington, went out to the union and management yesterday...

17 reject closed shop

BY OUR LABOUR STAFF A GROUP of meals-on-wheels drivers and assistants employed by Ealing Council, in London, are refusing to join a closed shop...

Train drivers end go-slow

TRAIN DRIVERS in the Liverpool Street division of British Rail have agreed to withdraw their non-co-operation of routes to and from Liverpool Street and Fenchurch Street...

Minister accused in Bank staff row

By Oavid Churchill, Labour Staff A GOVERNMENT Minister was last night accused of allowing public funds to be used to set up a non-TUC staff association within a nationalised concern...

Former postal workers to join Post Office Board

BY CHRISTIAN TYLER, LABOUR EDITOR A FORMER postman and a former Post Office counter clerk have been named to join the Board of the Post Office in January...

Licenseses plan action on Fox and Goose

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT LICENSEES VOTED yesterday to seek ways of restoring beer supplies to the Fox and Goose in Washwood Heath, Birmingham...

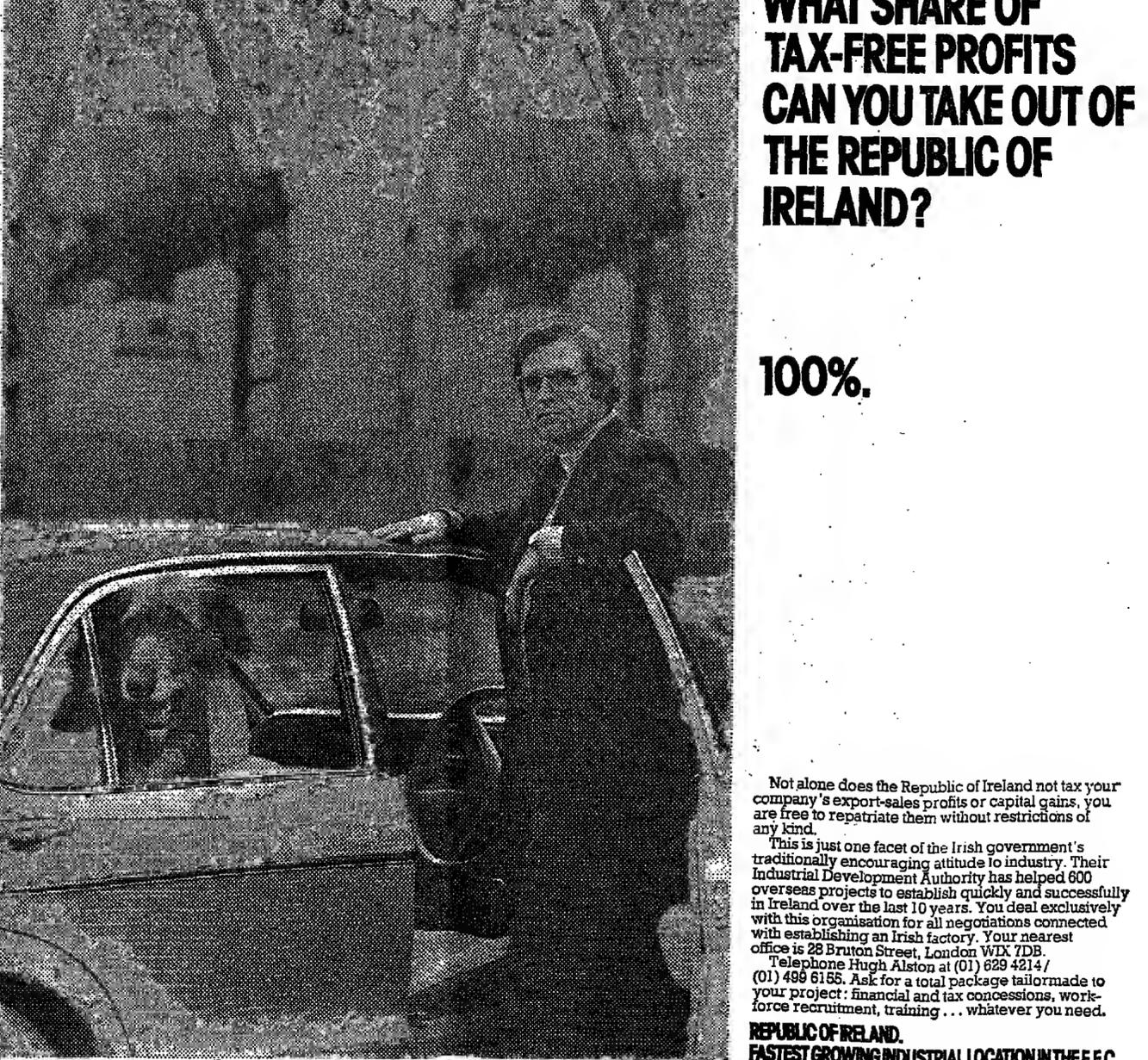
No comment

Mr. Barnett's office declined to comment on the accusations last night. The granting of a certificate of independence in the Bank's staff organisation...

Leyland inspectors work on

VEHICLE Inspectors at Leyland's Longbridge, Birmingham, factory yesterday postponed working pending further talks on threatened strike which would a regrading claim...

Union, accepted a shop stewards' recommendation to continue working pending further talks on threatened strike which would a regrading claim...



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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

DATA PROCESSING

Inforex in the U.K.

WITH better than 800 users in Europe and the leadership in France and Germany in the supply of latest technology equipment which promotes "users lib" in fast-expanding companies, Inforex is turning to the U.K. market with its latest system, the "7000".

This equipment makes extensive use of microprocessors in its terminals and control units and is offered to users for installation at centres—plant, warehouses, administrative sections—where a high proportion of the company's essential data is generated.

There it will be used to enter information (80 per cent. of Inforex installations are used for this as their primary job), process it to extract management information for local use, update information files and communicate with head office equipment where required.

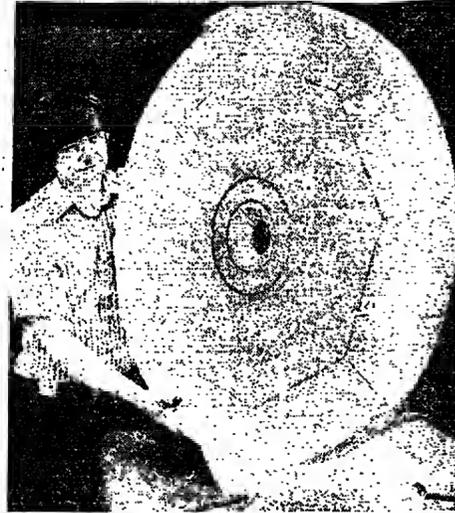
Important in the 7000 release is that fact that it will handle the most commonly used business language, Cobol, to handle all commercial operations as they are keyed in by the operator.

Each controller in the new series will initially have the power in run up to seven local or remote terminals which may include a mix of serial printers and display and keyboard units. Further expansion of this power will be made over the next several months, which means that total development costs for the 7000 are likely to exceed by a considerable margin the \$1m. spent on it over the past two years.

Users familiar with distributed processing equipment will find that Inforex has done a great deal to speed management of operational and users' application routines, through better handling of available storage—a virtual machine feature.

More details from Inforex at Inforex House, Headstone Road, Harrow, HA 1PL. 01-883 8311.

ENERGY



Wheel of fortune

THERE is nothing like calamity to concentrate the attention of plant operators and in the U.S. during the recent severe winter, calamity in the form of a total cut-off in natural gas supplies hit many industrial plants.

One of these was a brass rod manufacturer in Bellefonte, Penn., which had thus far used natural gas to heat brass billets prior to leading them to a 3,500-ton extrusion press.

When the complete cut-off in supplies came, the company turned to fuel oil as the source of energy. But it had to be vaporised prior to use in the furnace and to do this, the company decided to use heat recovery from the exhaust gases.

The solution was to install a heat wheel, one of which is shown here. Manufactured from a cellular glass ceramic material, the 40-inch hollow unit takes exhaust gases at 1,450 deg. F. coming from the billet furnace and passes them over its extended surfaces on one side while on the other incoming cold air to supply oxygen to the furnace and vaporise the fuel oil to raise to a useful temperature of 1,050 deg. F.

It is further diluted with cold air before being fed into the furnace with the oil at about 500 deg. F.

Conversion to fuel oil costs have not been disclosed, but a significant fact has emerged from the running of the plant since the alterations: fuel costs have been cut by some 37 per cent. The alternative would have been to close down till gas supplies were restored or to go for a dual-fuel solution. Both were rejected, the latter because there was not enough room.

Installers of the heat recovery equipment, based on a Corning Cercor material for the wheel, were Green Equipment, Grand Rapids, Michigan, U.S.

By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.

NAVIGATION

Keeps close control of the ship

FOR USE in difficult seaways and during docking and undocking operations, equipment just unveiled by Vosper Thornycroft at Rio de Janeiro will make operations, particularly of large tankers and container vessels, much simpler and safer.

VTP Ship Controller will have particular application to all stages of the working of the so-called shuttle tankers used to bring oil from offshore loading points, such as single-point moorings associated with production platforms not on a pipeline, to mainland terminals.

Main elements are a predictor steering system and a dynamic positioning augmented mooring system. Together, these provide close control of the ship during manoeuvring in restricted waters and while moored in exposed positions.

In each of these phases, the controller gives precise positioning and accurate course with facilities for collision and hazard avoidance.

The predictor solves complex mathematical equations which represent what the ship is doing under the influence of coast and external forces. Predicted track for several ship's lengths is displayed to the officers on the bridge. This allows them to foresee ship's motions and takes a great deal of the burden of deckside movement off their shoulders. At the same time, the facility can help to cut down the use of tug services very considerably.

Inputs to this system include signals from the radars and gyrocompass, with the addition of rate of turn gyro and two-axis Doppler log, the latter registering thwartships movements.

The display which provides a predicted track on a radar screen, may be augmented in collision avoidance situations with warning echoes from the ship's radar and the equipment then indicates what their nearest approach to the ship will be. If this drops below a pre-set value, an alarm will sound.

The mooring system helps to reduce the otherwise very considerable loadings on single-point mooring units, particularly in foul weather, without the shipowner having to go to the cost of a full dynamic positioner.

The vessel is provided with a stern thruster so that the heading can be altered while it is moored by the bow. Sensors include the gyro-compass, anemometer and short-range radar position reference unit which gives precise indication of the relative positions of ship and buoy. Operating on this data, the controller generates signals to the thrusters which operate to maintain the preset heading.

More from Vosper Thornycroft on 07018 73511.

RESEARCH

Ford tests Stirling

FORD HAS SIGNED an eight-year contract for a total of \$180m on a shared basis with the U.S. Energy Research and Development Administration (ERDA). The specific goal of the programme, to which the U.S. authorities are contributing \$110m, and Ford \$50m, is to develop engines and provide the information needed to make a decision on putting the Stirling cycle into commercial production for passenger car applications. If it proves viable it could eventually involve Ford in a total investment of over \$500m.

The Stirling engine, originally invented by a Scottish Presbyterian minister, Robert Stirling, in 1816, was first developed as a stationary prime mover to drive factory machinery. It is an external combustion engine which uses a working fluid in a sealed system of cylinders and pistons to convert heat energy into useful work. The fuel itself does not directly provide the hot gases to drive the pistons, as in a conventional internal combustion engine, so the Stirling is more efficient and quieter. It emits lower levels of exhaust gases and can burn a wide variety of fuels, since the burner is external to the engine.

Ford's involvement with the Stirling engine dates back to 1971 and the company holds licences with Phillips in Holland and United Stirling of Sweden, both pioneers in the early development. In a project financed by Ford, a 170-hp Stirling engine was demonstrated in a Torino four-door saloon in 1975 with fuel savings of at least 30 per cent. Exhaust emissions were, at the most, a quarter of the permitted U.S. 1977 levels for all three constituents of the gases.

Based on these test results, Ford made a submission in July 1976 to ERDA for an extended development programme to investigate reliability, durability and manufacturing feasibility of the expensive and specialised components required for the engine. On a year-by-year renewal basis, the new contract is expected to run for eight years, by which time raw materials and production technology are expected to be available.

Apart from reducing dependence on mineral oil derivatives as a fuel, the Stirling engine's not only a variety of other combustible substances to be used, but provides the means of a progressive switch as world oil reserves dry up.

More on Brentwood 253000.

CONSTRUCTION

Designing platforms

BECAUSE OF their size and the complexity of the reinforcing structures they incorporate, platforms for offshore operations in deep waters are among some of the most complex pieces of civil engineering so far designed.

Many commercial and academic groups have wrestled with the problems of simulating the behaviour of platform elements, and whole structures, to determine resistance to gales and violent wave movement.

A new set of routines written to help the design of gravity platform conditions has been tested national Engineering, Wilt and launched under the code name GOPCIA (Gravity offshore London WC2R 3AU. 01-258 6

COMMUNICATIONS

Widening the market

AIMING at what it regards as a largely unexploited market, there are about 21m. phones in the country and only 120,000 telephone answering machines—Robophone has come out with a simple low cost machine which it expects may soon find its way into the private home.

The company is taking a radically different marketing approach by making the product available via office equipment retailers throughout the U.K. The sales force will rise from 32 to some 400.

This is claimed to be the first time that a full scale attempt of a number could be kept, recorded, to suit the circumstances. All controls are push button, with associated lamps show machine status, and the hold time can be re-recorded from a microphone at any time. The announcement that is played to the caller, while other employees a standard Phil pattern audio cassette to read the messages of the callers.

Contents of the announcements can be re-recorded from a microphone at any time. The announcement that is recorded, to suit the circumstances. All controls are push button, with associated lamps show machine status, and the hold time can be re-recorded from a microphone at any time. The announcement that is recorded, to suit the circumstances. All controls are push button, with associated lamps show machine status, and the hold time can be re-recorded from a microphone at any time.

METALWORKING

Better cutting edge

PROBLEMS experienced with using tungsten carbide cutting tools are often associated with the parting-off operation.

According to Kinton Carbide many attempts have been made to produce throw-away tip parting-tools, but with only limited success. This company has designed a tool which is claimed to solve the problems.

Known as Part-A-Max, it is basically an indexable, rigid parting tool. It has three cutting edges that are precision ground.

HAND TOOLS

All held in place

LATEST of the hand tools produced by M. Hole and Son of Albany Street, Newport, Gwent (0633 58481), is a range of clamps for bolting in position many types of component rod material. Included are two fixed bar clamps with jaw reaches of 23 inches (58mm.) and capacities ing 00 materials with a delicate of 6 inches (150mm.) and surface.

Data from the shop floor

AS PART of a programme of modernisation in the North East, Vickers has introduced some of the most advanced computer technology available to speed the flow of information from shop floor to management. It comes in the form of an industrial terminal system from ICL.

Vickers is the first company to install this newly-announced ICL equipment which is now in operation at its main heavy commercial engineering complex, Scotswood Works, at Newcastle upon Tyne.

Scotswood's 700-strong workforce is engaged in various operations, including the manufacture of container and crawler cranes, plant for steelworks, construction equipment and power presses for the car industry. Detailed monitoring of this spectrum of shop floor activity is undertaken by an "on line" computer system devised jointly by Vickers Management Services and ICL.

Shop floor workers feed work data direct to the computer through eight shop floor computer terminals linked to a central factory control unit.

An instruction chart directs the operator through the stages of transmitting the data and a digital clock shows the recorded time of transmission.

Vickers is experimenting with a computer-aided method of estimating, a project being jointly undertaken with the Computer Aided Design Centre at Cambridge. The aim is to produce a cost estimating system based on the application of standard manufacturing times to tended surfaces on one side while on the other incoming cold air to supply oxygen to the furnace and vaporise the fuel oil to raise to a useful temperature of 1,050 deg. F.



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اسلامی

The Management Page

EDITED BY CHRISTOPHER LEITCH

Mr Cameron reports on how tradition is being preserved by a stained glass manufacturer

Devotion to craft

GODDARD AND GIBBS is an old-fashioned company that makes stained glass and employs a somewhat ramshackle, Dickensian workshop in the Smeeth area of London's East End.

It is part of the much larger Clark Eaton group which has an annual turnover of £20m, but Goddard and Gibbs does not have managerial interference from its parent. Its employees of whom have worked for the company for decades, prefer to be left alone to practice their craft in much the same way as it was practised in medieval times. From the general manager down to the youngest apprentice they are all initially conservative.

His does not mean that they do not try to improve their work. Far from it. Earlier this year everyone was delighted to see the company started to open up a new market for its products in the Middle East. Yet this is likely to lead to a steady expansion of the business, nobody wants fast, untested growth.

His attitude is not so much the result of natural caution as a result of the company's tradition of prudence and its traditional atmosphere. The effect of this policy is that Goddard and Gibbs will not be allowed to become too big, the work that it does for is priced to ensure that it can survive in the stained glass windows that it creates for churches; and its crafts-

men will never be housed in a modern, spacious, chrome and concrete factory.

The employees feel particularly strongly about this latter point. They insist that bright, smart premises would be unthinkable because the bishops would not like it. And one way and another their lordships have proved excellent customers for over 200 years.

The management of a tiny craft company and its position as the wholly-owned subsidiary of a far bigger concern are problems facing Clark Eaton executives and Mr. Haig Hamilton-Welsh, the general manager of Goddard and Gibbs, are often quite different from those encountered by other small production units.

Autonomy

Perhaps the most important point is that an organisation like Goddard and Gibbs needs to be given a high degree of managerial autonomy. The scale of production, the peculiarly close relationship with customers, the valued family atmosphere within the company and the idiosyncratic variations of each craftsman's work make this essential.

Everyone concerned agrees that it would be hard—if not impossible—to run the company just as a minor division of Clark Eaton. And up to now Goddard and Gibbs has been left much to its own devices. All that the parent company has done is to provide legal advice

plus garaging and plant maintenance facilities. Mr. Hamilton-Welsh says firmly that he decides what further support, if any, Clark Eaton should give.

Mr. Hamilton-Welsh has been with the company for 11 years and for part of that time the going has been extremely rough. The concern was hit by the general recession in building and it has also felt the effects of the decline in church-going. Roughly 60 per cent of Goddard and Gibbs' business is restoration work but as church buildings fall into disuse much stained glass is being sold abroad or left to rot. And the church in England is too poor to commission many expensive, new stained glass windows.

Yet in the past two years the outlook has become brighter for the company and Mr. Charles Clark believes that the time has come for further improvement. Mr. Clark was managing director of Clark Eaton until earlier this year when illness forced him to relinquish the position. But he is now preparing to buy a 52 per cent interest in Goddard and Gibbs from Clark Eaton which will retain the rest of the shares.

He intends to devote himself to stained glass in the future—a prospect which seems to please everyone at Goddard and Gibbs. One reason for the general satisfaction is that Clark Eaton itself is a family concern of 200 years' standing and though Mr. Clark plans to make some changes at Goddard's his ideas appear to be very much in line with those of Mr. Hamilton-Welsh and the other employees.

For instance, he believes that the personal touch is vital for the company's business success and he thinks there is a danger that it could lose its identity if it became too big. He is also determined that the growing export market "must not swamp the ecclesiastical work". On the other hand he would like to see a growth of between 20 and 25 per cent over the next few years with a possible 20 per cent increase in staff. The current turnover is £250,000 and there are only four craftsmen working in the Goddard studio. Twenty years ago there was a dozen.

Mr. Clark plans to finance this expansion by exploiting the export potential for stained glass and by opening up the interior decoration market both at home and abroad. At the same time he wants to run a campaign designed to make the public aware of how much stained glass is being lost through sheer neglect.

He says that at present far too little attention is paid to stained glass although people are now slowly beginning to realise its artistic worth. This is why it is being increasingly used inside the home in the form of lamps as well as windows. And it is proving particularly popular in Middle Eastern houses and palaces.

Earlier this year Clark Eaton decided to mount a small, four-day exhibition of their glass products in Dubai and Goddard and Gibbs was asked to send some examples of its work. The exhibition was an immediate success—so much so that it has now been put on a permanent basis in Sharjah. It has already brought in £0.5m. worth of orders for the Clark Eaton group as a whole and Goddard and Gibbs itself has had orders worth over £10,000.

The company has been asked to give a quote for putting stained glass in the ruler's palace in Sbarjah and in his brother's palace. It is also work-



A master glass cutter works on a design for a church window.

ing on designs for flats and for public buildings for Arab customers. John Lawson, Goddard's designer, has made a special study of Islamic art and design. He points out that stained glass fits well into the artistic traditions of Islam with its emphasis on mosaic decoration and its ban on any representation of the human form.

Yet those concerned with the company, including Mr. Clark, Mr. Hamilton-Welsh and the master glass painters themselves, see the expanding Arab market chiefly as a source of finance for their ecclesiastical work. They hope eventually to divide the business into two sections: one will deal with secular export orders while the other will be reserved for church glass. But there will never be any doubt about which will come first. Any suggestion that Goddard and Gibbs should forsake its Christian churches for the richer pastures of Islam is looked upon as a particularly pernicious form of artistic blasphemy.

Market

As it happens the market for ecclesiastical glass is now beginning to improve. The company has just completed a rose window for Lancing College in Sussex. It is the largest rose window England has seen since 1666 when the one in old St. Paul's was destroyed in the Great Fire of London. The Lancing window is 36 feet in diameter and it cost the college £36,000.

As far as restoration work is concerned, Goddard says it is "continuously working on the glass in Westminster Abbey." It replaced the annex of Westminster Hall after the bomb attack and it is currently replacing all the clerestory windows in Beverley Minster.

Yet the company admits that it and its employees often subsidise the work they do for churches. It says that the poverty of the Church makes this a necessity—there would be no point in the company pricing itself out of the market. Stained glass currently costs between £30 and £100 per square foot depending on the design. About 55 of this goes on raw materials—lead and glass. The rest is labour costs.

What is unusual about Goddard and Gibbs is that the employees do not seem to mind making financial sacrifices for the sake of the product. Indeed most of them appear to think that they have a duty to do so. The average wage is only £50 to £60 per week—ludicrously

Trading's legal labyrinth

BOOK REVIEW BY PROFESSOR FRANCIS JACOBS

Fair Trading in Europe. By A. H. Hermann and Colla Jones. Kluwer-Harrap Handbooks, £14.50.

FEW MAJOR commercial decisions can be taken nowadays without careful consideration of the ever-growing regulation by public authorities of economic activity. Transactions of all kinds and of all sizes are subject to an increasing volume of legislation designed to regulate trade in the interests of a variety of social, economic and political purposes. In the United States, competition as well as consumer protection law vary bewilderingly from country to country, with EEC law superimposed upon the national laws of the member states, creating an additional dimension, so that a single transaction may have to be considered simultaneously from several different viewpoints, each rapidly changing and itself subject to different tensions as the social, economic and political context itself shifts.

It takes two or three years to become proficient at cutting, painting or leading glass and seven or eight years to become a true craftsman. Mr. Jimmy Weatherley, who cuts and pastiches up the glass, and Mr. Bill Smith, who paints it, both say that they are still learning their craft. Yet they have long since finished their apprenticeships—the two of them have been with Goddard and Gibbs for over 30 years.

Man management in a company like this is rather different from that in a mechanised industry. People cannot be told to increase their output or improve their quality control, for example. The management does not possess the expertise needed to make such suggestions.

Mr. Hamilton-Welsh says that in the main the staff are not much interested in the technical details of Goddard and Gibbs' management. They take the view that everyone should be left to get on with his or her own job. That is what they all know best and care about most. And this is what makes Goddard and Gibbs the institution that it is.

By a fundamental article of faith, lead the unwary into thinking that agreements to which only firms from one member state are party and which restrict competition only within national territory are automatically outside the Treaty provisions. Such agreements may be within Article 85. The authors go too far in suggesting that the criterion is absolute; rather, it has been given a dynamic interpretation by the Commission and the Court. As a result, such institutions' jurisdiction extends to agreements apparently confined to a single member state, and indeed to behaviour originating outside the EEC.

The description of the German system in this book is the most comprehensive available in the English language. The treatment is descriptive rather than analytic, proceeding like most of the book on a case-by-case account. The wider issues are hardly canvassed, but the real interest of the book, apart from its immediate practical use, lies in the comparison of different approaches to similar problems, and the opportunities it presents to compare different philosophies: how are the competing policy interests reconciled in different systems? And how does the law develop under the guidance of different forms of institution?

Main object

In the EEC the main object of the competition rules was initially straightforward. Barriers to trade among member states were to be dismantled by the abolition of customs duties, quotas, and of other obstacles to such trade. The national markets of the member states were to be replaced by a single market embracing the whole of their European territories. It was, therefore, essential to prevent firms, by the use of cartels or of monopoly power, from re-establishing national markets and from imposing their own barriers to inter-state trade. This need explains the crucial criterion included in Articles 85 and 86 of the EEC Treaty that agreements and concerted practices, or the abuse of a dominant position, must be caught by those provisions if they have the effect of hindering trade between member states. That criterion must not mis-

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Tuesday October 11 1977

Prices moving well

IF THE September indices of manufactures as a whole rose wholesale prices show a rather less dramatic improvement than that of the previous month, they also show that progress is continuing steadily towards a lower rate of inflation. The cost of raw materials to industry has been brought down by the firmness of sterling and the weakening of some world commodity prices. This in turn, together with wage restraint, has helped to brake the increase in manufacturing output prices and led to a much slower rise in the index of retail prices, the most common measure of the cost of living.

Peak level

The price paid by manufacturing industry for raw materials and fuel reached a peak in April and has since been falling gradually but unintermittently. The extent of the fall has varied from month to month, sometimes because of fluctuations in the level of world prices and the sterling exchange rate, sometimes for purely statistical reasons: last month's drop is relatively small, for example, mainly because the encouraging figure first published for the previous month has since been revised further downwards. This overall drop conceals the fact that the cost of materials purchased by industry other than food processing was lower last month, that of the food processing industries rather higher, with prices at home in the latter case more than offsetting lower prices for imports.

Cost of living

This continuing fall in input costs is doubly encouraging. First, to the extent that it is an advance indicator of how the import prices of raw materials will move, it suggests a further improvement to come in an important sector of the balance of payments. Secondly, it suggests that the rise in output prices should continue to decelerate for at least some months to come. Output prices of

New consensus in Spain

THE economic package agreed by the Spanish Government and Opposition over the week-end is a considerable political achievement. It is not often, after all, in any country that Government and Opposition agree to work so closely together and it is striking that the Opposition not only endorsed the package, but also participated in its formation. That alone should go some way to making the measures more acceptable to the public at large. Moreover, the Opposition parties can fairly claim that what has been produced is much more than a series of economic correctives; there is also a degree of social reform, for example, in the introduction of wealth and property taxes and the measures to curb land speculation. The progressive dismantling of the apparatus of the Franco regime will also be further continued if the promises to reduce the bureaucracy and the size of the Government pay roll are put into effect.

Main thrust
It is here that the main thrust of the new measures lies. The ceiling on future wage awards is to be set at a little over 20 per cent, with the aim of bringing down the inflation rate to 22 per cent, or less in the coming year. That is still high by any standards, but it would represent a considerable improvement on the performance of the recent past. The fact that the targets have been agreed by Government and Opposition also suggests that they might be capable of achievement. At the very least, it will now be difficult for the Opposition parties to support wage demands out of line with the plan.
There is another aspect of the package which is impressive, and that is the absence of an appeal to the IMF or the European Community. It seems that the authorities are determined to make a show of putting their own house in order first before applying for credit. Resort to the Whitehouse facility has been mentioned, but not for the present year. The immediate priority, apart from reducing inflation, is further to strengthen the export recovery. The country could then go to the IMF on the basis of bolstering success rather than in emergency.

The test
So much has gone well against the odds in the political field in Spain in the past year or two that one hesitates to predict failure now. Yet it is still going to be the economy that is going to be the test of the new democracy, and the task can hardly be underestimated. By their willingness to work together, however, the political parties suggest that they appreciate the urgency of the problem. If this is the message that they can now get across to the bulk of the population, they might yet succeed.

Indeed the action began earlier this year when the Government devalued the currency by around 20 per cent. That move was surprisingly successful in a short period of time. There was a tourist boom which gave a much more healthy look to the country's reserves. There has also been a steady improvement in exports over the past few months; car exports, in particular, have risen sharply, thanks partly to the new Ford plant, but more traditional exports, too, have done well. Very much of the trouble continued

Confidence begins to return to industry in Midlands

By ARTHUR SMITH, Midlands Correspondent

FIRST signs of a return of business confidence, and with it the prospect of the long-awaited upturn in industrial activity, are at last becoming apparent in the Midlands. The quarterly survey of business intentions, published this month by the West Midlands Chambers of Commerce, is the most optimistic for some time. Many companies are significantly more confident of improving orders, turnover and profitability. In line with the survey of investment plans released last Tuesday by the Department of Industry, businessmen appear to be taking a more optimistic view and looking again at committing funds to new buildings and equipment.

But, as hefts a region which regards itself as "at the sharp end of the economy"—a disproportionately high 46 per cent of the region's workforce is directly employed in manufacturing—businessmen's attitudes are cautious. "We have had a number of false dawns over the past two years and we will believe it once it has happened," says Mr. John Warburton, acting director of the Birmingham Chamber of Commerce. Nevertheless, he believes that the region is poised for steady rather than dramatic expansion. The political and economic environment in which business operates has changed spectacularly in 12 months. This time last year the pound was dropping sharply in value, interest rates were moving towards record peaks and there were fears that a new crisis might at any time bring down the Government.

Now more and more industrialists are prepared to concede that Mr. Denis Healey, the Chancellor of the Exchequer, may have got the balance right in his message last week to the Labour Party Conference when he talked of "slow and steady" expansion. A wide range of companies have enjoyed a growth in output of around 3 per cent to 5 per cent, during the past 12 months and are looking forward to a similar improvement in the coming year. But it is still too early to draw hard conclusions. Opinions are divided about how strong any upward trend in the economy might be and this is now an issue for debate among businessmen.

A fairly sombre assessment of the situation is given by Mr. Eric Swainson, managing director of Imperial Metal Industries and chairman of the West Midlands Region of the Confederation of British Industry. He concedes that there is much talk of an upturn and that the business climate may have improved. "But the reality is that output and orders remain fairly flat." At the last meeting of the CBI Regional Council a count

of the 30 or so delegates showed 20 reporting order books little changed over the previous quarter. The remainder were fairly evenly divided about whether the trend was up or down. "It was ironic to look at the gloomy faces round the table on the very day that prices on the stock market were moving to a record high," said Mr. Swainson. Indeed, the euphoria indicated by the upsurge in the FT Index only adds to the confusion of local businessmen. Performance between industrial sectors has been varied, with pottery and the motor components industry benefiting from strong export demand. Specialised areas, such as diesel engines and business computer systems, are showing growth, but the capital goods sector in general remains fairly depressed. Demand for consumer goods remains flat but there are hopes that the position may be on the turn and that this will feed back through the rest of the economy.

Any signs of revival must be judged against the fact that the Midlands is only now emerging from its deepest post-war recession. Spare capacity has been taken up gradually over the past two years and generally is around 10 per cent, compared with 20 per cent in 1973. There are exceptions, of course: largely as a result of the prolonged recession in new house building, parts of the carpet industry are still operating at only about two-thirds of capacity.

The very length of time industry has spent in the doldrums could itself prove a factor in the upturn. This is certainly the view of Mr. Richard Wootton, U.K. sales director of Tube Investments Steel Tubes Division, which has 13 Midlands companies. "Everybody I have talked to seems to hold the view that at the worst things have stopped turning down. Whatever business one is in, must soon start to pick up. Both products and equipment will need replacing."

Mr. Wootton thought his division, with a turnover of more than £200m a year and a labour force of 15,000, would show little overall increase in output during 1977. While demand from the motor industry remained buoyant, power generation, mining and construction were still depressed. "Next year we do not see anything bright in the first quarter but by the middle of the end of 1978 we expect to be working much harder." The picture would vary from company to company but some factories ought to be working near to full capacity for the first time for several years, he added. Mr. Wootton based his "cautious optimism" upon reports from customers that they will be increasing their orders in 1978. A company which has benefited from the strong recovery of the vehicle industry in the western world is Associated Engineering, the Leamington-based component manufacturer, with an annual turnover of well over £250m. Mr. John Collyear, the managing director, hopes that his Midlands factories will raise output by at least 5 per cent over the next 12 months. But he points out that such a target will be achieved less because of the strength of demand at home or overseas but more because of the company's efforts to introduce new products and increase market penetration.

Professional management
Associated Engineering, which has over the last few years devoted increased resources to product research and technology as the way to fight recession, provides a good example of how professional management has responded to the problems of recent years. It is a disturbing trend for longer-term employment prospects in the Midlands that new investment is directed towards machinery to reduce the labour force and raise productivity rather than to laying down new capacity. Mr. Collyear says that Associated Engineering has maintained investment in the Midlands but has concentrated principally on new equipment to raise quality and efficiency. "Like many other companies we could expand output considerably without taking on new labour."
The underlying trend of unemployment in the West Midlands, which hit a post war

record 6.8 per cent in August, has been rising since the spring of this year. The survey by the Chambers of Commerce indicates that employers may again be considering taking on new labour but there are few positive signs of this yet. Much political heat is likely to be generated about unemployment in the coming months. But the issue of greatest concern to all businessmen and one which clouds their judgment of whether or not economic recovery can be sustained is that of wages. Certainly there has been a dramatic shift in sentiment over recent weeks. Only a couple of months ago it was difficult to find a personnel manager in the Midlands who did not believe that the "return to free collective bargaining" from August 1 would herald a pay explosion. Such fears still persist, but comfort is taken from the fact that workers with recognised grievances remain at work.

The turning point came at the end of August with the collapse of the strike of 20,000 production workers at Leyland Cars' Loughridge plant. An abortive strike of Jaguar workers at Coventry resulted in a return to work and a Stage Two increase of up to £4, in spite of demands for a £20 a week increase. Some 6,000 workers at the Triumph plant, Canley, and 3,500 Chrysler employees at Coventry, remain at their benches even though procedure has been expedited on claims for increases of around 25 per cent.

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The underlying trend of unemployment in the West Midlands, which hit a post war

BUSINESS FACTORS
Companies were asked to indicate three factors most likely to improve their prospects. The following shows the order of importance placed on the factors listed—

	Sept.	June	March	Dec.
Higher productivity	65	78	68	71
Retention of pay control	57	48	44	N/A
Less legislation affecting business	43	32	28	N/A
Improved cashflow	31	27	29	22
Reduction of Corporation Tax	20	22	31	22
Better industrial relations	18	15	13	N/A
Lower interest rates	17	24	35	47

Source: West Midlands Chambers of Commerce quarterly economic survey

SOME OF THE ECONOMIC INDICATORS

	Sept.	June	Mar.	Dec.
ORDERS				
Home orders compared with three months ago	up 38	29	42	47
same	24	37	34	32
down	38	34	24	21
Export orders compared with three months ago	up 30	33	48	45
same	45	41	34	33
down	25	26	18	22
PRODUCTION				
Companies working at				
full capacity	25	24	24	25
80-100% capacity	43	43	43	N/A
60-80% capacity	28	29	29	N/A
at less than 60% capacity	4	4	4	N/A
CASHFLOW				
Cashflow compared with three months ago				
improved	22	23	17	24
satisfactory	51	53	52	52
worse	27	24	31	24
LABOUR				
Companies expecting workforce to				
increase	23	17	28	23
remain constant	69	73	64	66
decrease	8	10	8	11
INVESTMENT				
Plans for new plant and machinery in next 12 months have been				
revised upwards	23	19	23	23
unchanged	75	74	72	73
revised downwards	2	7	5	4
CONFIDENCE				
Companies confident turnover will				
improve	65	52	62	58
remain same	28	35	27	44
worsen	7	13	11	18
Companies confident profitability will				
improve	36	33	35	25
remain same	47	44	39	46
worsen	17	23	26	35

* Results all by percentage. Number of respondents 270. Number of employees 200,000. Source: From the West Midlands Chambers of Commerce quarterly economic survey.

MEN AND MATTERS

You've been warned...

William Mackay, who heads the Insolvency department at the London head office of chartered accountants Whinney Murray, will be lecturing to a select audience of IBM executives in Brussels next week. He will present his Viability Test, based upon a wide and saddening experience of British companies that have gone down the drain. It goes like this:

"Does your company meet any of these requirements? 1: Rolls-Royces with personalised number plates. 2: Fish tank or fountain in the reception area. 3: Flag pole. 4: Queen's Award for Industry (U.K. only). 5: Chairman honoured for services to industry. 6: Salesman or engineer as chief executive. 7: Recently moved into modern offices. 8: Unqualified or elderly accountant. 9: Products are a market leader. 10: Recently changed bankers. 11: Audit partner grew up with your company. 12: Chairman is a politician or well known for his charitable work. 13: Announced a huge order in Afghanistan. 14: Satisfied personnel with no strike record. 15: Recently announced a technological breakthrough."

Mackay then delivers his punchline: "If you answer 'Yes' to three or more questions, call the creditors together—You're broke."

Lane campaign
The Victorian Society has sent an eleventh-hour appeal to the Salters' Company in a bid to save a block of property in the City from demolition. But the society accepts there is virtually no hope. The architects for the development scheme, at the southern end of Bow Lane, say they certainly expect the buildings to start coming down

owners, who bought up the freeholds about 20 years ago, are grouped in a company called Watling Street Properties. The surveyor, Peter Green, who is also deputy chief surveyor of the Prudential, describes much of this area as "grotty," and says the term "rebuilding" was more suitable than "redevelopment." He hopes that "certain characteristics" will be retained and claims that the local shopkeepers are "kicking up because they don't want to lose their businesses."

The conservationists argue that Bow Lane still retains some of the atmosphere of the old City, of which little is left, and that its medley of small shops is an amenity for people working round about. They believe that when new shops appear, they will have far higher rents and a different style of selling. The City of London planning office is now brooding on the Well Court scheme, before making recommendations to the planning committee. The owners are confident that they will start work next year.

At the top of the lane, where it enters Cheapside, stands St. Mary-le-Bow, the church of Bow Bells renown. On one of its walls, somebody has scribbled a cryptic slogan: "Do you pay for service by humans or the iron monster?" The shopkeepers are a bit baffled by that, but they feel the author must be on their side.

Jack's the boy
Hugh Scanlon is a fairly predictable appointee to the National Enterprise Board as a part-time director. But Sir Jack Wellings, chairman and managing director of the 600 Group—how will his plain-spoken and abrasive approach fit in with the somewhat do-gooding image of the NEB?
After the announcement yesterday, Sir Jack evinced all the cheerful aggression he has thrown behind the 600 Group,

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Observer

FINANCIAL TIMES SURVEY

Tuesday October 11 1977

A regional capital market

by Richard Johns
Middle East Editor

THE SUCCESS of Bahrain in drifting from its location in the rich Gulf, though only a small declining producer itself, has been highlighted more dramatically by its flourishing shore banking venture than by other recent developments in the state.

It is just two years since the invitation was issued to international banks to apply for licences. Many were quick to respond but even a year ago was still justified in talking of Bahrain's "experiment".

Bahrain's offshore banking scheme for issuing restricted banking licences (RBL) in the spring of 1976 (which also allowed scope for domestic operations) and 12 applications were approved — a small number which lent weight to the claim that it did not wish to challenge Bahrain as an equal in the offshore banking business. Whatever the truth, Bahrain's offshore banking units (OBU) were prominent on the international map and only one of the RBLs was in business when in May this year the banking crisis in the UAE ensured that there would be no competition from that quarter.

Demand

Certainly, the still evolving economic federation did not provide the right framework for offshore banking operations in the Gulf for which Bahrain's Monetary Agency has proved the demand. To date it has granted 40 OBUs, including many of the major names in international banking and embracing a global spread, across Bahrain. Two years ago many also saw it as a more financially sound alternative to the but hampered by its own exclusion — not the least because of its practices barring outsiders from settling within its privi-

BAHRAIN BANKING AND FINANCE

Bahrain has gone some way towards establishing itself as a financial centre for the Gulf. It has moved successfully into offshore banking and is now recognised internationally as an important money market.

United Arab Emirates Currency Board had allowed banks to open there.

The UAE announced its own scheme for issuing restricted banking licences (RBL) in the spring of 1976 (which also allowed scope for domestic operations) and 12 applications were approved — a small number which lent weight to the claim that it did not wish to challenge Bahrain as an equal in the offshore banking business. Whatever the truth, Bahrain's offshore banking units (OBU) were prominent on the international map and only one of the RBLs was in business when in May this year the banking crisis in the UAE ensured that there would be no competition from that quarter.

leged confines, has cast an envious eye at Bahrain's success in making a money market.

Off-shore banking has proved another example of Bahrain's ability to diversify as a service in the region. It is in a very different position to its peers in the Gulf with their relatively small indigenous populations and incomparably larger petroleum incomes. They can afford to invest in enormous capital-intensive, hydro-carbon-based industrial projects (some of dubious viability) of the kind that Bahrain cannot. With a revenue from oil about 3 per cent of Abu Dhabi's, Bahrain's native population must be almost five times as big.

As it is, petroleum income this year estimated at 150m. Bahraini dinars (\$380m.) was expected to account for 79 per cent of total revenue and 60 per cent of expenditure — with the balance to be met by aid. Just over half of this modest oil revenue was expected to come from Bahrain's own fields from which output is declining at the rate of about 3 per cent. to the point that their life may end in the early 1990s. The rest will derive from a half share of the income from Saudi Arabia's Abu Sa'ad field gratuitously made over by the Kingdom in 1972. The state has a 60 per cent

share of the Bahrain Petroleum Company (with Caltex as the minority partner) whose production averaged 58,000 barrels a day in 1976. For financial reasons it has not taken a stake in the large export refinery which consumes all BAPCO's production and processes crude piped from Saudi Arabia. The facility is an ageing one with heavy maintenance costs. Yet it remains a valuable asset to Bahrain in terms of added value and employment.

Asset

Bahrain's other main natural asset is the high-quality non-associated natural gas from the Khuff Zone. Availability of this cheap energy made possible the establishment of Aluminium Bahrain. After a number of setbacks—technical difficulties, labour trouble and a major fire—it is now proving a profitable venture and giving a handsome return in terms of export earnings and revenue, thanks to the surge in world demand for the metal. An increase in capacity from 120,000 tons to 180,000 tons is now being planned for a venture that originally appealed to the Government as a means of generating employ-

ment but is now regarded as important for its revenue potential.

The number of Bahraini nationals is now approaching 200,000 and believed to be growing at the high rate of 3.5 per cent with over half of them under 20 years of age. Bahrain faces a long-term problem both in the quality and the quantity of employment opportunities for its young people who—like the last few generations—have enjoyed good schooling by the standards of the region. Yet prosperity has been such that it has been necessary to import labour. At the end of last year it was calculated that foreigners accounted for 60 per cent of a labour force of 100,000 compared with 37 per cent out of 60,000 in 1971.

Nevertheless, Bahrain's economic progress—with all its implications for political stability—has been such as to confound those pessimists who in 1971, when the U.K. military presence departed and the State obtained full independence, gloomily forecast that Bahrain would find it difficult to pay its way and to find jobs for its sons. The garrison rental and its spending—paltry sums by today's standards—were of vital importance for the com-

munity.

In the event Bahrain has profited hugely from the 1973-4 escalation in oil prices to the extent that it has enjoyed a boom comparable to those of the other Arab oil producing States. The State has been able to exploit its advantages of geography, excellent communications, a well-developed infrastructure and an educational base built up over 50 years. Bahrain may be the least of the Arab producers of oil, but it has profited longest from it in this last very important respect.

While sharing in the regional boom, Bahrain has also suffered from the same inflationary pressures on wages, prices, and rents generally. Over the past year a slowdown has been evident and greeted by the Government if not by some of the insatiable merchants. It is a justifiable cause for concern that a minority have been enriching themselves at a time when many poorer Bahrainis have been hard hit by inflation. An unhealthy proportion of economic activity has been accounted for by construction of commercial property and luxury accommodation. In this situation the Government has rightly recognised that low-cost housing is a priority. The aim is

to build 15,000 more units in the next five to seven years. At least 1,000 a year will be needed to reduce room occupancy from 2.6 to the 1.5 recommended by the U.N., according to a recent report.

Trend

Following the trend of 1975 money supply (currency in circulation plus demand deposits) rose by 64 per cent last year but in the first half of 1977 the rate slowed to 11 per cent. Expansion of bank credit followed almost exactly the same pattern. However, in the 12 months up until the end of June the proportion of advances made to the construction industry rose from 33.6 per cent to 37.6 per cent. With the property boom abating any marked fall in values could leave both the developers and bankers over-exposed on this front.

Recently the Government set up a joint committee with representatives of a business community worried by signs of recession—ostensibly to study the health of the economy but more essentially to spread the official message that a slowdown is both desirable and beneficial. As Mr. Habib Kassem, Minister of Commerce, put it: "One place of natural concern to the

should not relate the economic activity of this year to the abnormal activity of the past three years."

Heavy concentration on property development should not obscure the more durable contribution made by Bahrain's service industries—particularly banks, hotels and air communications—to balancing the state's payments. Last year saw a marginal rise of BD16m. in net official reserves held by the Bahrain Monetary Agency (taking into account a marked increase in foreign liabilities) despite a visible trade deficit of BD127.5m. Imports amounted to BD659.8m., a rise of nearly 40 per cent over 1975 which was largely accounted for by the import requirements of the Arabian Ship Repair Yard, shortly to be completed, and other construction projects. Exports were up 21 per cent to BD523m. most of it attributable to the refinery and sales of aluminium.

The surplus on oil account came to BD123m., a figure not including revenue from Abu Sa'ad. On the invisible account, a heavy liability was remitted by the expatriates in Bahrain, estimated by the Monetary Agency at BD44m. On the credit side there were the private and official inflows of capital relating to the construction projects. Bonds paid by expatriates and their employers would have also been a by no means negligible factor.

ALBA's net foreign exchange earnings last year were estimated to be \$55m. It has also spawned ancillary atomiser and extrusion plants while a cable factory is being built. Bahrain has other promising industrial ventures planned for the "free zone" near the port of Mina al Sulman. On a different scale altogether is ASRY, the project of the Organisation of Arab Petroleum Exporting Countries which is to be formally inaugurated in December. Bahrain is a shareholder along with six other OAPEX members in the undertaking which is unlikely to show a profit for many years to come.

Saudi Arabia is apparently prepared to carry the losses and was one of the main advocates of Bahrain as the most suitable site—not only because the state more essentially to spread the official message that a slowdown is both desirable and beneficial. As Mr. Habib Kassem, Minister of Commerce, put it: "One place of natural concern to the

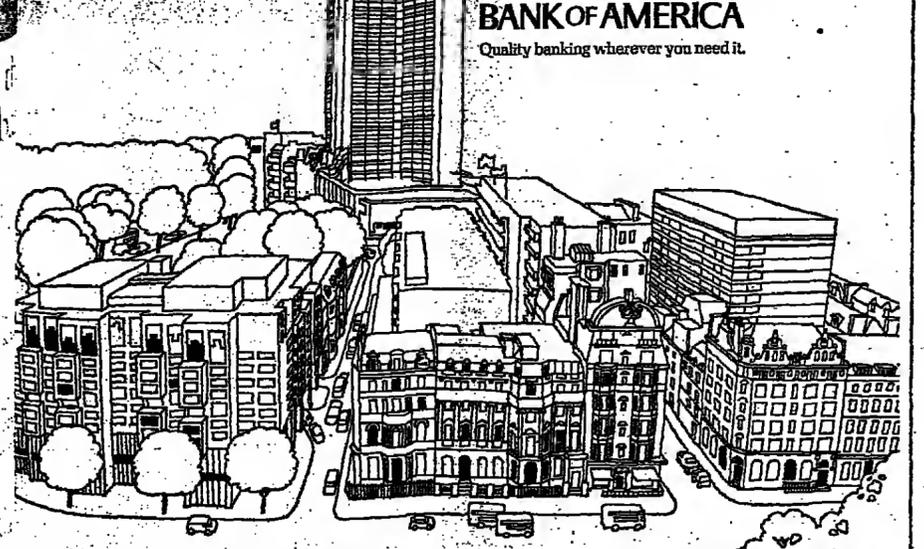
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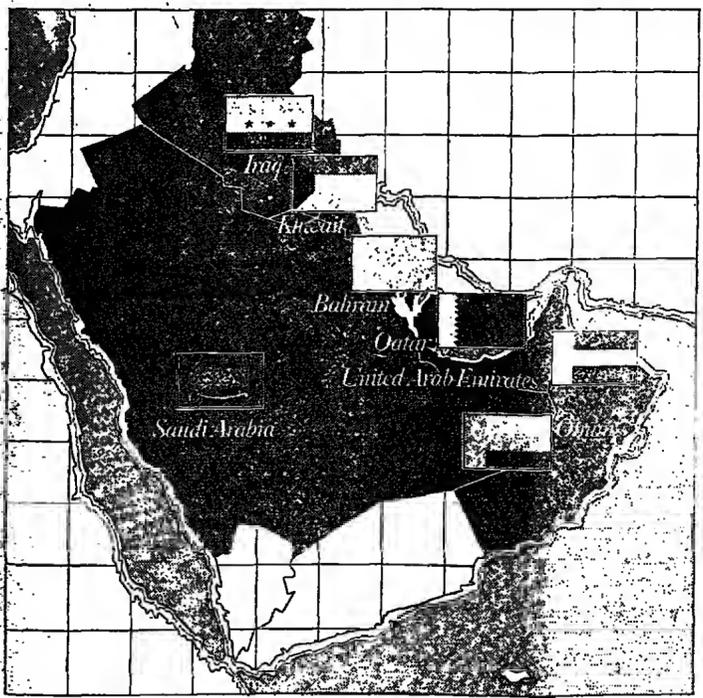


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BAHRAIN BANKING AND FINANCE II

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The future outlook for continued growth of the bank, and the further development of its wholesale-banking and corporate finance services throughout Asia and the Gulf countries, are promising.

ABRIDGED STATEMENT OF ASSETS AND LIABILITIES:

ASSETS	Malaysian dollars		LIABILITIES	Malaysian dollars	
	30.6.77	31.12.76		30.6.77	31.12.76
Cash and deposits with banks	10,562,114	7,913,593	Loans and deposits	112,457,430	58,788,218
Loans and bills receivable less unearned income	98,104,237	51,656,187	Other liabilities	394,069	141,020
Investments	10,449,928	4,118,392	Guarantees on account of customers per contra	3,500,000	—
Fixed assets, after depreciation	856,893	283,311	Shareholders' capital and reserves	5,610,292	5,340,631
Other assets	1,488,619	296,386			
Liabilities of customers for guarantees per contra	3,500,000	—			
Total assets	\$Mal. 121,961,791	64,269,869	Total liabilities	\$Mal. 121,961,791	64,269,869

Copies of the Six Months' Report may be obtained from:

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Monetary Agency keeps a careful watch

ON FIRST sight the Bahrain Monetary Agency looks more like a pleasant family villa than a central bank. A child's cycle is often propped against the wall and local visitors are sometimes offered a couple of cantelors from the garden as they depart. At the moment the BMA does not own a safe—it rents one down at the Chartered Bank—and relies on the latter to physically issue and redeem the local currency.

Including the gardeners the BMA's staff numbers no more than 40, but despite the modest scale of its operation—its total assets amount to the equivalent of \$360m—the BMA has developed into a very effective central bank. Relations with the banking community are close yet informal and friendly. The number of "bank returns" asked for is kept to a minimum, and any banker who is running too exposed a position in Kuwaiti dinars say, is likely to be personally rung up by Alan Moore, the BMA's director general, and politely asked what he intends to do about it. It may look unsophisticated to outsiders but the system works well and the BMA clearly has the full confidence of the local banking community which is more than can be said for the UAE Currency Board.

Until the appearance of the BMA in 1973 the banking community had been left pretty much to its own devices. The agency started to function properly on January 1, 1975, when the commercial banks moved their clearing accounts over from the National Bank of Bahrain, and since then it has operated just like any other central bank.

Its objectives and responsibilities are spelt out in great detail in the official decree 23 which runs to 40 pages and 112 articles and covers everything from the maximum term of imprisonment for a fraudulent

banker (two years) to the frequency of its own board meetings. Basically, however, the BMA's powers are as follows: it has exclusive responsibility for the note issue; it acts as the Government's banker; it manages Bahrain's official investment portfolio and, finally, it regulates the local banking system and the supply of credit. The agency is being closely supervised by the Bahrain Government during its formative years. The BMA reports directly to the Cabinet and during the initial five year transitional period the Prime Minister acts as chairman of the board and the Minister of Finance is the deputy chairman—only Bahraini nationals are allowed to be board members. After the five year transitional period the chairman and deputy chairman will become full-time executives of the BMA and will not be allowed to hold other jobs.

Attention

While most attention over the past year or so has focused on the BMA's role in developing Bahrain's offshore banking enclave this only occupies about half Alan Moore's time as director-general. Along with his deputy, Abdullah Saif, Mr. Moore spends a large part of his day overseeing the more traditional functions of any central bank.

The BMA is split into four main departments. First of all there is the currency issue department. The physical distribution of notes still takes place at Chartered Bank's head office in the centre of Manama, but the department is ultimately responsible and apart from its routine business is studying, for instance, the possibility of issuing a larger denomination banknote. The present highest value of BD10 has remained unchanged since the currency was first introduced in late 1965 and now

comprises 80 per cent of the value of notes in circulation.

The second main department looks after the agency's foreign exchange and investment side and is run by Abbas Mahmood Radhi. Like most countries in the Gulf, the bulk of Bahrain's foreign exchange flows directly to the Government in the form of oil revenues and these have to be recycled to the private sector in foreign currency. Consequently the agency quotes daily rates for buying and selling dollars, sterling and German marks.

Whenever there is a shortage of funds in the money market due to large import payments or movements of capital the agency undertakes swap operations with the banks under which it provides dinars against dollars for a given period with a foreign exchange cover at a price designed to maintain orderly conditions in the market. At any one time the amount outstanding under these swap arrangements fluctuates between BD10m. and BD25m.

The heavy handed operation of similar swap agreements by the UAE Currency Board was one of the principal reasons for the UAE banking crisis earlier this year and in its latest annual report the BMA states that it gives "high priority" to the confidence which is created by its knowledge that it will act consistently in its swap operations.

Aside from its foreign exchange business another important part of the BMA's work is the management of its investment portfolio. According to its last balance-sheet the BMA held BD26.4m. of U.K. gilt-edged stock—slightly under a fifth of its total assets. Assuming it is still holding the same amount of gilts and given that the FT Government Securities index has risen by a third since the turn of the year the BMA should be sitting on capital profits of close to BD10m.—

roughly one and a-half times the BMA's published net profit last year. Clearly the BMA will have no problem paying for its smart new premises being built next door to the Hilton Hotel.

The third main department was divided in two late last year—banking services and banking control—and is headed by Rashid Ismail al Meer. The main functions of the banking services department are to administer the clearing operations, the computation of minimum reserves and maintaining current accounts for the commercial banks and government institutions. The volume of business has grown dramatically since the BMA was established. Last year the Clearing House handled an average 75,000 cheques per month and by June this year some 92,000 cheques were being cleared each month. Over the last 12 months direct interbank transfers have risen by 48 per cent in number and 74 per cent in value.

Control

The banking control department, as its name implies, concerns itself with monitoring the banks' monthly returns and accounts. The BMA has supplemented this with a system of occasional random spot checks on local banks, similar in many ways to the U.S. bank examiners' surprise visits.

Finally, there is an economic research department headed by Khalifa Mohammed al Bin Ali. This department is mainly involved with collecting data on the economy and balance of payments. It also liaises with various international organisations such as the IMF of which Bahrain is a member.

On top of these routine functions, one of the main objectives of the BMA, according to its charter, is to "participate in the creation of a developed money and financial market." The BMA's active encouragement of the offshore banking community is discussed at length elsewhere in the survey but it has also been working hard to develop the local financial markets. Apart from the already mentioned swap facilities the BMA has played a key role in restructuring the horrowing of the government-owned aluminium company, Alba. This reduced Alba's financing costs and at the same time provided the local banks with a safe investment for their short term funds—something they are very short of.

In May, 1975, the BMA arranged that Alba would issue promissory notes at a regular competitive monthly tender to help finance its working capital requirements. These notes are for periods of one to six months and have proved very successful. Each month between BDSm. and BD4m. are offered and at any one time around

BD10m. are in existence. The local banks make about half a point over interbank rates at the moment. In February of this year the BMA extended the scheme to the offshore banks. Until then Alba had relied on a revolving credit raised in London on which it paid a margin of 1 1/2 per cent over labor. The offshore banks now tender for this credit and the margin has been cut to 1 per cent. Every month, \$5m. to \$10m. is on offer and about \$20m. is outstanding. The degree of popularity for the Alba paper, is reflected in the way the monthly tenders are generally oversubscribed five to six times.

The BMA has also tried to encourage local banks to start issuing negotiable certificates of deposit (CDs). One local bank has in fact taken a plunge but although the BMA is prepared to offer reduction facilities to dealers in the secondary market, the interest has so far been slow. In addition to its activities in the money markets the BMA has also been trying to develop a local capital market although it would be the first to admit that it cannot create such a market overnight.

It has played a key role in the three BD bond issues. Although it did not participate in the issues, the BMA agreed to guarantee the availability of a secondary market in its issues. What worried market makers initially was that the might not be able to find sufficient dinars to finance the portfolio so the BMA has undertaken to swap BDs for dollar so that the cost to the market maker in BDs is no higher than the coupon on the bond. With out this guarantee most banks admit that the issues would probably not have been so together.

The next innovation on the BMA's list is the introduction of a specialised merchant banking licence. This will allow organisations such as the recently formed Bahrain Investment Company, which is modelled along the lines of the Kuwait International Investment Company, to develop merchant banking business both locally and offshore. To a great extent this can be done already by the OBU's but a special licence with perhaps the ability to incorporate a local subsidiary could be attractive to foreign banks for tax reasons. Meanwhile several U.K. discount houses have been observing the development of the Bahrain market with interest and one of a decent amount of high quality tradable paper is in circulation. Alan Moore will be happy to see the establishment of local discount houses.

William Hall

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A new type of expatriate

THE POST OIL price rise boom in the Gulf states—now in temporary recession—has created a new kind of Western expatriate with a new life style.

They are not the "colonial" expatriates of the past, coming in to administer and exploit new territories, but rather a superior form of *gastarbeiter* doing jobs that inhabitants of the host country cannot (or will not, vide Saudi Arabia's British dustmen) do. The traditional *gastarbeiter* role, doing the unskilled and dirty jobs, is taken by expatriates from the Indian subcontinent and increasingly from Far Eastern states such as Thailand, the Philippines and South Korea.

The work prospects abroad for these new Western expatriates has been effectively revolutionised by the developments in physical and telecommunications since the war. Any Briton who has the opportunity (money no object) to leave Bahrain after breakfast and be in London in time for lunch cannot be said to be so far from home—and the Concorde service has just returned to twice weekly flights. Even on subsonic flights the return to London is only some seven hours flying. Direct telephone dialling is now a reality to Britain and connections with Europe and the USA are being planned.

Add to that the general availability to the Western expatriate of almost all the foodstuffs, books and liquor he was used to at home—not to mention the television programmes if he can rig an aerial to receive Aramco TV from the Eastern province of Saudi Arabia—and Bahrain hardly seems a hardship posting.

The climate, of course, is far from ideal. The humidity levels are too high to be pleasant even during the cooler months of the year and for two or three months of summer the sun is burning hot. But air-conditioning at home and the frequent sea breezes on the coast do mitigate the effects a little. However, very soon the new Western expatriate falls into the "Gulf-Western" style of living which centres round the clubs, the hotels, the societies and

various outdoor activities such as tennis, rugby, diving and sailing.

One local wit has calculated that with 40 offshore banking units celebrating their arrival or anniversary, the representative offices making their presence known and the odd party by a contractor who has just won a contract, there should be at least two cocktail parties a week at the Gulf and Hilton hotels from October through to March.

Waiting

There are long waiting lists for membership of the two main clubs, the Dilmun and the British, but the bankers in Bahrain have now set up their own club and are soon to put out the tender for renovations and additions—such as swimming pool, tennis court, squash courts, etc.—to the premises they have leased in the green country area near Boudaiya.

A prime function of the clubs is to provide entertainment facilities for the children. A large number of Western expatriates are between 25 and 35, with children of primary school age. Swimming pools are therefore a necessity for many people as are the organised, out of school activities, run by the private primary schools.

The major hotels, too, have made "clubs" of their sporting facilities, mostly swimming pools and tennis courts. The Gulf, the Hilton and the Delmon (which is being very elegantly refurbished by British architects, designers and contractors in old Bahraini style) also compete for custom with speciality nights.

These usually take place on Thursday evenings (the Gulf equivalent of Fridays) around the pool area. Last year's craze was for Arabian style barbecues where the food was followed by such grown up English party games as augs of war across the swimming pools. All the hotels also insist on having a band in their main dining rooms so that dinner dancing is possible every evening. The newly opened Ramada hotel has the most night-clubby style dining

room and also the only one where the diners can hold a rational low toned conversation after the band has started.

In the next two years there promises to be considerable overcapacity of hotel facilities which can be of benefit only to the expatriate and Bahraini communities alike as the hotels seek to differ from their rivals. Already the Delmon hotel is offering weekend package deals and the Hilton has a secretarial services bureau on the premises. The Gulf, however, still has the best cook—Gulf-wide.

The food in the hotels is standard international hotel cuisine with Lebanese-Arab overtones. But the new Le Vendome hotel is promising to live up to its name by introducing a more distinctive, French-style menu—it is being run by the Mirza brothers who also run the Pearl Restaurant/night club in Bahrain and the Kuwait Tower restaurant in Kuwait. The smaller Tylos hotel also has some excellent Indo-Pakistani dishes on the menu.

It is on the whole not a bad life for the majority of Western expatriates, most of them cushioned against the expense of living in Bahrain by rent-free accommodation, office cars and air tickets back home (and maybe help with secondary school fees). Many wives have part-time jobs, adding considerably to the income.

There are, however, a few who have come out "bachelor status" but with wives and children, or who have come out just on spec to see whether the streets of an oil state were paved with gold. For them life is rather harder. But it is hardest of all for the workers from the Indian sub-continent, brought in by labour contractors to whom they pay fees, and with little idea of the cost of living in the Gulf compared to home before they leave. Bahrain's Ministry of Labour is considering introducing a minimum wage which should alleviate their lot.

Doina Thomas



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BAHRAIN BANKING AND FINANCE III

Brokers broaden the market

PART OF the credit for the rapid rise in Bahrain's stature in the international financial markets must surely go to the small group of local money brokers. By being prepared to operate seven days a week and for periods of up to 12 hours a day, they have helped turn Bahrain into a much more professional trading centre.

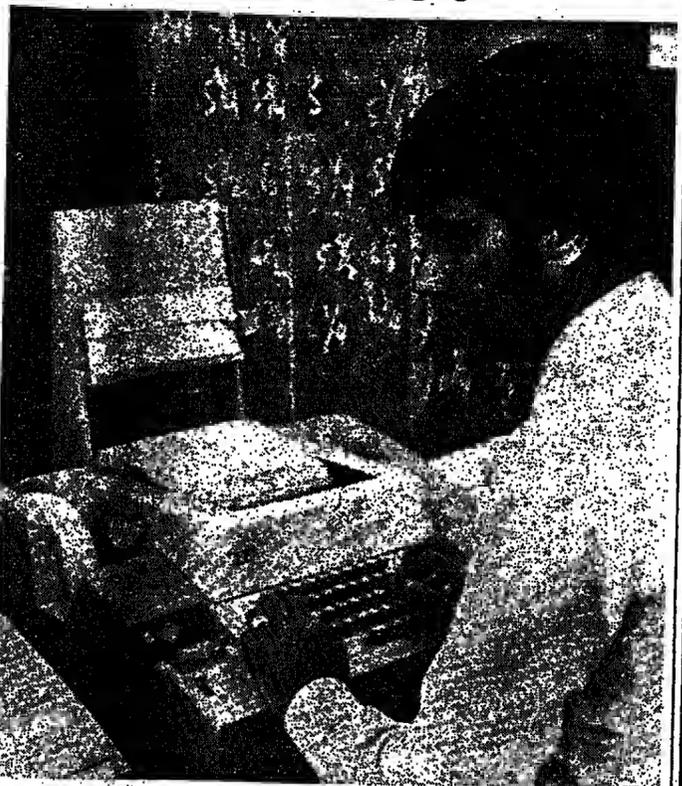
The number of overseas banks prepared to deal with Bahrain OBUs has grown enormously over the last 18 months and the sharp reduction in dealing spreads in local currencies is evidence of the increasing competition. The brokers have helped instrumental in widening the local market and have actively supported the fast growing forward market in Saudi Riyals and Kuwaiti Dinars. While Bahrain cannot yet hope to equal the range and depth of the foreign exchange markets in London, it does offer a viable and convenient alternative and it would be unwise to neglect the brokers' important contribution to this development.

Not that the brokers' efforts have been completely altruistic. A number of big London brokers had been dealing directly with the Gulf for some years and there comes a time when the volume of business and the convenience and cost of operating direct from London dictates a local presence. These days money broking is a 24-hour day, seven days a week business and for brokers the Gulf has two big advantages.

In terms of time zones it is located mid-way between Singapore and London and consequently offers a useful staging post. If it is 3.30 p.m. in Bahrain it is 8.00 p.m. in Singapore, 1.30 p.m. in London and 3.30 a.m. in New York. Bahrain conveniently straddles the closing of the Far East markets and the opening of the North American markets. The second key advantage for the brokers is that Bahrain is open over the weekends when other major foreign exchange centres are closed and this extent it is unique. Admittedly the volume of business done over the weekend is not as high as in London, but it is off noticeably. In Bahrain the Bank Nederland (ABN) for example, notes that New York and Hong Kong dealers sometimes come into the market over the weekend if they need to cover their positions.

Twelve months ago there was considerable uncertainty over the Middle East capital market. Dubai as being canvassed because of its substantial entrepot trade which formed a natural basis for commercial foreign exchange business.

But a combination of factors has tipped the balance in Bahrain's favour for the time being. The so-called "Dirham crisis" earlier this year has led to a marked reduction in deal-making in this local currency and has reduced the attractiveness of Dubai; added to which the increasing number of OBUs has widened the Bahrain foreign exchange and deposit market considerably. The ease of tele-communications with the rest of the Gulf means Bahrain is not particularly reluctant to talk of any one centre of the Gulf as the ideal base for a broker.



A Bahraini foreign exchange dealer operates a telex in First National Citibank's office.

Like so many places in the Gulf, Bahrain is an expensive centre from which to operate. In addition to the high cost of living, open telex lines cost BD1200 per month and at around \$250 per hour, open phone links with London are quite expensive, but necessary. Consequently, brokerage charges, as in most offshore centres, are considerably higher than those in London. On foreign exchange transactions the charge tends to be \$50 per \$1m. whilst deposits, the margin is 1/32 of one per cent against 1/50 of one per cent in Europe.

Some of the more established banks bulk at paying these rates but there appears to be sufficient business to warrant the opening this summer of a fourth broker, Charles Fulton (Gulf). In common with the other brokers Fulton has had to agree to majority local control. The London parent owns 49 per cent, Bahrain Financing 11 per cent and Mohammed Zubari, a local businessman owns the balance 40 per cent.

The chairman of Fulton's Bahrain operation is Sheikh Sulman bin-Khalifa bin-Sulman al-Khalifa, a son of the Prime Minister. In fact the al-Khalifa family are Bahrain's ruling family, are well represented in the Bahrain foreign exchange and deposit market and yet are not particularly reluctant to talk of any one centre of the Gulf as the ideal base for a broker.

est Bahraini traders, is the New York market opens at about 4.0 p.m. Bahraini time and local brokers deal with this market for another three hours or so and banks from as far afield as Fort Worth, Texas are to be found dealing with Bahrain OBUs.

It is difficult to generalise about the volume of dealing being carried out from Bahrain. Banks do a considerable amount of business between themselves which the brokers never see. But there are signs that while the absolute volume of business has probably increased as more banks have become involved in the market, individual bank's dealing operations have not expanded as quickly as first hoped.

A Bahrain money broker's day tends to start around 6.45 a.m. local time (4.45 London time). Their first task is to get the major rates from the Far Eastern market, which have been operating all morning, and these are telexed to major customers around the Gulf to give a guide as to the rates at which dealing is likely to start. By about 7.30 a.m. dealing begins, and brokers tend to keep open lines with their Far Eastern operations during the morning. The next event of the day is when the London market opens and the emphasis then switches to dealing between Bahrain and Europe. Finally,

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Regional

dom. In practice, it has been difficult to find the necessary recruits locally and sponsors have had to search them throughout the Arab world. The Bahraini Government is contemplating any other diversifications of this kind. Concern about the emergence of an industrial proletariat and the risk of further industrial unrest would be one factor. A second is the need to preserve natural gas resources for the generation of power and water. A third reason is the desirability of economic co-ordination with the Gulf, especially with Saudi Arabia, with its special interest in Bahrain's health. Mr. Youssef Shirawi, Minister of Development and Industry, has confirmed again recently that future emphasis will be on specialised services. As a regional centre, Bahrain's position will be enhanced further by the construction of the 583km. long causeway linking the islands by the Trans-Arabian Highway beyond it. The project, undoubtedly, will bring Bahrain more heavily under the influence of the Kingdom, which is the main beneficiary of the project. But the economic benefits to Bahrain should be substantial — not in that sense, but in that sense, the OBU's which have been developing their

Continued from page 1

Financial services are now reckoned to be responsible for anything up to 10 per cent of Bahrain's GNP. The OBU's own direct contribution to the economy through local spending is now probably in excess of \$50m. Moreover, there is evidence that their presence there will have the "magnetic effect" predicted by Mr. Alan Moore, director-general of the Monetary Agency, whose dynamism has had so much to do with the success of two years' initiative launched two years ago. Apart from related financial services, in immediate prospect is the appearance of other off-shore trading companies.

Functioning

Based in Bahrain is the Gulf International Bank, owned by the seven Arab oil-producing states of the region. It is now functioning fully having participated in \$355m. worth of medium-term loans so far. But, were three Bahrain bond issues disappointing for the OBU's, the main preoccupation of Bahrain is still foreign exchange dealing. Bahrain is still developing into the regional capital market that the Arab world has always lacked.

rich region with the rest of the world, as well as bridging the awkward time difference between the Far East and the West. The OBU's have played a valuable role in developing a forward market for the Gulf currencies, notwithstanding the fact that transactions in them are limited and discouraged by some states like Saudi Arabia. At the same time they have created what the Monetary Authority with justification has described as the first "Arab dollar market". The coming years should see a considerable increase in the OBU's involvement in lending operations. Beyond that, it must be recognised that Bahrain still has its limitations as a financial centre. It has no merchant banks nor discount houses operating at present. However, the first issue of Bahrain Government bonds may help lay the basis for a secondary market apart from the state's revenue proceeds. Earlier in the year there were three Bahrain bond issues on behalf of Mexico, the Philippines, and the Algerian State Shipping Company (CNAN). As a financial centre, Bahrain is still evolving and could yet develop into the regional capital market that the Arab world has always lacked.

William Hall

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A growing need for skilled staff

COMMERCE HAS always been regarded as an honourable and rewarding way of life in the Gulf. The Bahraini merchant families whose trading dhows once sailed to India and down the coast of East Africa to Zanzibar, later negotiated exclusive agencies to import the machinery, construction material and consumer goods demanded by the exploitation of mineral resources and by accelerating industrialisation.

To-day, they send their sons to the West to become bachelors of economics and masters of business administration, in order to put their expanding empires on a systematic footing. If the family business was less of an institution in Bahrain, there would be many more bright young executives willing to sell their talents on the open market.

Because of the rapid influx of banks and their attendant service companies to Bahrain, good clerical staff is scarce. Potential foreign exchange dealers, bank officers and financial managers are scarcer still. When the offshore unit of the Bank of America arrived 18 months ago, the manager interviewed 300 people and hired 11.

Some 1,600 young men and women graduated this summer from Bahrain's secondary schools, but up to half of them will continue their education abroad for four years, or longer. Of the remainder, many will be attracted to further training for teaching, the health services, or for employment in large private sector companies such as Bapco, Alba, Cable and Wireless and Gulf Air.

The most promising source of apprentice labour for the financial services is the commercial stream of the general secondary schools. The first commercial class was added to Manama Secondary School for Boys in 1962, for a maximum of 15 students. Their numbers grew steadily until last year 559 boys were participating in three-year commercial courses at the two centres in Manama and Muharraq.

Commercial

Girls were not offered the same opportunities until 1970, but they quickly made up for lost time and in 1976-7, 544 were attending commercial classes at two girls' secondary schools.

Places for another 700 boys will be created by 1980 in the commercial section of the new technical school to be built by the Government of Saudi Arabia, near Isa Town. Two more classes for girls, making 21 in all, will open in the forthcoming academic year, and a purpose-built commercial school is projected for them in Rifa'a. The commercial syllabus includes general subjects: English, Arabic, religious studies, and history and geography with an economic bias; and vocational subjects such as book-keeping, accounting, business arithmetic, office practice and typewriting in both Arabic and English.

Since 1974 when schools began to lay greater stress on English language, students have been sitting for elementary external examinations as well as the commercial section of the secondary school leaving certificate (tawjihya) recog-

nised in most Arab countries. In 1975-76 candidates for Pitman's basic accounting achieved an 81 per cent pass rate, and a creditable 67 per cent in English typing. This year students are to enter for Pitman's qualifications in book-keeping and office practice as well.

One school centre for each sex now has not only a language laboratory but a "commercial laboratory" equipped with tele, telephone exchange, franking machine, photocopier, calculator — every mechanical aid likely to be found in a modern office.

The four secondary schools' commercial facilities are used after school hours by nearly 300 adult part-timers. The teachers are frequently drawn from banks, accounting firms and other business concerns, and the service cost the Ministry of Education around E120,000 last year — but there is no fee for students. Many of the girls had previously left school with a tawjihya in arts subjects, only to find they had no job qualifications.

The College also runs short courses in storekeeping, office practice and business arithmetic. An 18-week course divided into three modules leads to a College certificate in supervision and management, the entry qualification to a further 14-month course recognised by the Institute of Supervisory Management.

A new business studies building at the Gulf Tech is due for completion in time for the 1978-79 academic year, and will provide 18 additional classrooms, purpose-built facilities for audio-typing, mathematics and statistics and a language laboratory. A projection room and a conference room for management studies are included.

It has long been planned to establish a higher diploma or degree course in business studies as soon as facilities and suitably qualified students are available for it. But the big breakthrough, as far as the College is concerned, has been the success of day-release education. The Ministry of Health has led the way for Government departments, and Bapco, Alba and Brown and Root have been foremost among industrial companies in sponsoring employees for one or two days of study during working hours.

Management supervisory courses have been particularly well accepted, and the Civil Service Bureau and the Bahrain Defence Force have shown interest in a programme tailored to their specific training requirements. These developments could be taken to indicate that while hopes of turning the Gulf Technical College into a regional university are sanguine, it does have a vital role to play as a polytechnic.

Banks hope to find a number of their potential executives from the ranks of OCBS graduates, but whether recruits come from school, college or other jobs, retail banks in particular often set their own selection and aptitude tests. These usually include English, arithmetic and general knowledge; the British Bank of the Middle East uses Professor Raven's matrix test, a non-verbal reasoning test of considerable difficulty. This bank has been running a "cadet training scheme" for the past 15 years, by which they employ 20 to 30 school students from the

CONTINUED ON NEXT PAGE

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Communications under strain

THE SUDDEN influx of offshore bankers into Bahrain during 1975-76 placed a great strain on the island's communications facilities. Frequent travellers and great users of telephone and telex, their arrival accelerated many plans for the development of Bahrain's communications services.

There was a time last year when observers wondered whether the air and telecommunications facilities on and around the island would keep up with the demand placed upon them. This year it looks as though the communications service industries may be able to do the day when they can be little ahead of demand.

Bahrain Telephones now claims that its backlog of work is being kept at a steady level and that next year it should actually be able to make inroads into the mountain of work. Unless of course the Bahrain government creates another year—by about 60 per cent. (policy which will attract sizeable numbers of companies to be island.)

Bahrain Telephones expects to be number of customers to double in the next four-five years and points out that it took the I.K. telephone system 20 years to treble in size. At present the company has some 18,400 customers and expects to be serving nearer 36,000 by early 1982. This poses the company with both physical and managerial problems: not normally the United Arab Emirates can be shalled by the subscriber and Bahrain Telephones is aiming to achieve direct dialling to the Eastern Province. It is also talking, but only "hopefully," of being able to offer direct dialling to the United States and continental Europe next year.

Prongs

The two main prongs of the company's development plans for the next four-five years are the upgrading of its cable network and the installation of a number of new exchanges. It has a \$100m. development budget for exchange equipment, lines and other plant, and also to lease the land on which to build exchanges.

"Tripling our capacity is really the maximum we can hope to achieve," comments one senior manager. "Already we have had to increase top management to cope with the workload." Marketing its services really the least of the company's problems at present.

In the past year the company has heavily concentrated its efforts on servicing the business needs of the business community, so the backlog of work is mostly for the residential sector. However, a certain priority is still given to the business community to keep abreast of its increasing needs. Two new 4,800 two-pair cables are planned for the main business area of Manama, a further one for the mixed residential/business area of Gubayba and a 900-pair cable for the port and industrial area of Jufair.

The influx of Western expatriates and the upgrading of the living standards of middle-class Bahrainis has led to a great deal of residential development outside the capital of Manama, the bulk of it loosely associated with the towns of Jiffa and Boudaiya. These are the would-be subscribers who are in some cases had to wait up to a year to get a telephone. New exchanges are planned for Rifa'a, where a 800-line extension to the exchange is planned for installation next year, and Boudaiya Bank of America, for example, has extensive plans for computerisation when it moves into new premises. It plans to have a direct link with London by a dedicated line which will be able to carry telex, voice, or computer print messages.

International telex traffic has grown considerably with the advent of the offshore banks. Calls measured in minutes in August, 1976, totalled 175,000—the comparable figure for August this year is 240,000. Internal traffic has grown too, from 16,000 minutes in August last year to 42,000 this August—largely banks and brokers talking among themselves.

For the physical aspect of communications a new service company was quietly set up in Bahrain at the beginning of August. Its creation marks the importance the government attaches to Bahrain's communication services to the Gulf area.

on the plus side Concorde will shortly be operating twice weekly London-Bahrain-London flights again and some other major European airlines are expected to ask for landing rights in Bahrain.

Lufthansa and Sabena are two of the airlines thought likely to bring at least one flight a week to Bahrain and approaches from the Major Far Eastern lines are also expected. "Bahrain is now a main stop for the major trunk route operators," Fouad Habiby claims with some pride. Gulf Air, Qantas, British Airways and Singapore Airlines account for a sizeable amount of the movements at the airport.

Middle East Airlines (MEA), too, is back in top form with daily flights (except Fridays) to Beirut for onward connections to Europe. Its flights leave Bahrain at a civilized hour in the morning and while travelling to London, say, may take the best part of a day because of the transit at Beirut, there are sufficient old Middle East hands, with memories of MEA before the Lebanon's troubles, to virtually fill the flights out of Bahrain.

There are now 27 scheduled airlines using Bahrain compared to 23 a year ago and on average the airport receives ten jumbo planes a night (the climate makes late evening or early morning flights desirable for the wide-bodied jets). Bahrain Airport Services has \$2.5m. to spend on new equipment for servicing planes in the near future. It also plans to place all the airbridges and bring the total in use up to six in the next two or three years.

Inside the terminal itself there have also been improvements in the past year. There are more refreshment facilities and a better duty free shop. The terminal was originally designed on a modular basis so that it could be extended without great disruption to the existing facilities and without looking unbalanced afterwards. So far it has worked.

Unromantic

The company is called Bahrain Airport Services and its functions cover all the unromantic aspects of airport business—aircraft handling, ramp engineering, aircraft and terminal catering services, maintenance of ground equipment. "We want to offer a more co-ordinated service to the airlines using Bahrain International Airport," says Fouad Habiby, general manager of the new company, "the government wants Bahrain to retain its position as the premier airport in the Gulf." The creation of this company also highlights a decision by Gulf Air to concentrate on running an airline and to divest itself of various service functions it has acquired in recent years.

Gulf Air appears to be drawing in its horns a little after the very rapid expansion of the past two years. In the last week of this month the airline plans to cease flying to Amman, Athens, Beirut and Laraca and it will also cut its flights to London from 18 to 16 a week. However

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Staff

CONTINUED FROM PREVIOUS PAGE

Under a technical assistance agreement with Irving Trust Corporation, five specialists have visited NBB to train staff in specific banking operations, and more are coming. There are also plans to send employees abroad in 1978, possibly for academic qualifications as well as professional training in associate banks. Women, incidentally, are just as likely as men to qualify for these training assignments. They are accepted on their own merits and by next year they are expected to number 30 per cent of the total staff, instead of 20 per cent as at present.

Offshore banks find the staff situation even tighter than the retail banks, because they are looking for people with the flexibility to learn a new job. They are not impressed by the potential of a bank clerk who has performed the same function safely and adequately for the past five or ten years. On average, they expect to interview five applicants to find the young, ambitious and articulate type they require.

"One of the things we found lacking in Bahrain was the feeling for a career," commented Bank of America vice-president Mustafa Serageldin. This can lead to a high turnover—when a new bank comes in some staff will move for the immediate benefit of an extra few dinars a month. Another brake on the full development of career potential is the division of loyalties when a man has a second job, or runs a family business, in the afternoons.

The incentives to make good in an offshore bank are strong. Bank of America recruits staff at around 30 per cent above their previous salary, and top performers can expect to earn a further increase of up to 45 per cent in their first year. "We are paying a premium, but in return we expect more," Mr. Serageldin said. Errors due to lack of ability or training could cost an offshore bank, who deal only in large sums of money, very dearly.

Impact

The Social Insurance Law still applies only to firms with a minimum of 1,000 employees, so bank staff have not yet had a chance to assess its impact. Many of those already covered by in-house provident funds have expressed unwillingness to assign their terminal benefit rights to the General Fund for Social Insurance, when their turn comes to contribute to the national scheme. It is true on a large scale, the Fund will be deprived of an important source of assets.

A senior management representative, commenting on the prevalent attitude, pointed out that under the banks' existing schemes, employees knew that whenever they left, they took an immediate cash bonus with them. But "social insurance is a life-time commitment, and as A has brought out training such it is a totally new experience for the people of Bahrain. Expatriates were exempted from the scheme earlier this year. The Bahrain OBU. Next year, three key staff are to be sent to

Mary Frings

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BAHRAIN BANKING AND FINANCE VI

Offshore enterprises

IT IS just two years since the Bahrain Monetary Agency first announced its offshore banking plans and since then the progress has been remarkable.

Citibank and Algemene Bank Nederland, which had been operating in Bahrain for some years, opened the first two offshore banking units in December 1975 and transferred \$1.7bn. of assets onto their books. Since then the number of banks operating has risen to 34 (another five are in the pipeline) and the total footings by end-September had risen to \$12.5bn. At present OBU assets are growing at a rate of \$0.5bn-\$1bn. a month so it will not be long before Bahrain ranks on a par with Singapore's offshore market which stood at \$18.9bn. in August.

It is hard to find a realistic yardstick to measure the size and influence of offshore centres because of the shortage of meaningful statistics. The only useful source is the Bank of England's quarterly bulletin which measures the external liabilities and claims of U.K. banks and certain other institutions in foreign currencies.

According to these figures Bahrain ranks fourth in size in terms of U.K. liabilities with offshore centres, after the

Bahamas, Cayman Isles and Hong Kong. On the other side of the balance sheet U.K. banks have £1.7bn. on deposit with Bahrain OBUs. These figures only cover the activities of London-based banks but given their importance in international banking they help put Bahrain into context vis à vis other offshore centres.

Clearly Bahrain has firmly established itself on the international financial scene in a remarkably short space of time. To-day, six of the ten largest banks in the world operate offshore units. Seven of the ten biggest U.S. banks have OBUs, as have 14 European banks, and four major Arab consortium banks. Institutions from as far afield as Brazil and Korea have opened up offshore and the decision by the United Bank of Kuwait and the National Bank of Abu Dhabi to operate in Bahrain's offshore market is indicative of the growing support of neighbouring Gulf governments.

Over the past 12 months Bahrain OBUs have become familiar counter parties in financial centres around the world. The Bahraini Dinar bond market has made its debut. And a number of medium-term syndicated credits have been partly arranged by, and mostly syndicated with, the Bahrain OBU. People are starting to put together deals in Bahrain. Only last month BAIL (Middle East), with the help of its Paris head office, led a \$200m. three-year floating rate loan for the Ruler of Dubai. Considerable local autonomy has been delegated to certain OBUs and they are taking full advantage of the opportunity to widen the range of services and skills they can offer locally.

Bahrain has added a new dimension to the local Arab banking community. Kuwaiti banks now have a handy market where they can lay off their surplus dinars and not have to worry about the exchange risk involved in placing them in the London eurocurrency market. No other centre in the Gulf can provide a market in international foreign exchange with as much depth as Bahrain—the forward market, for example, has soared from \$0.5bn. to \$2bn. over the past year. But what of the OBUs themselves, are they making money?

Bahrain is an expensive place to operate, there is no doubt of that. As a rule of thumb it probably costs around \$1m. per annum to run an OBU with 15-20 staff. Bank of America, Bahrain, is headquartered in 15-20 staff. Bank of America, Bahrain, is channelling some for example, employs 42 staff and its annual budget of \$15m. is expected to rise to over \$2m. next year. Bankers estimate that it costs upwards of \$100,000 per annum to station a fairly senior calling officer in Bahrain (including a travel budget).

With these sort of overheads an OBU clearly has to generate business fairly quickly. Assuming a spread of 1 of 1 per cent, an OBU is going to find it hard to rely on money market operations to pay the rent. However, most OBUs already have a fairly sizeable loan portfolio which has often been transferred from elsewhere and on which they probably earn margins of 1 per cent. plus. Assuming a loan portfolio of \$100m. and a money market book of \$50m. say, an OBU should be profitable.

According to Alan Moore, around 40 per cent. of the total OBU assets can be loosely defined as medium-term lending (the balance is money market operations), and about half of all OBUs have footings of over \$250m.—very few have less than \$100m. Against this sort of background it seems likely that most OBUs are profitable.

By contrast it is more difficult to assess whether all OBUs are generating new business for their bank, as opposed to re-channelling some of the existing business which had previously been done through head office. If a banker can locate 100m. Saudi Riyals in London why pay him ten times the salary and post him to Bahrain?

Cheap

One myth that has to be dispelled about Bahrain is that it is a cheap source of Arab dollars. So far the bulk of official Arab oil revenues (say \$40bn. per annum) bypasses Bahrain and is placed direct in London and New York. Bahrain OBUs are net takers of dollars from the Euromarket—so much so that Citibank's large Bahrain Eurodollar trading operation works European hours. Citibank is funding a dollar portfolio of around \$3bn. from Bahrain but only 15 per cent. is raised locally. The rest comes from Europe, Nassau and Singapore. Most other banks do not have anywhere near as big a book as Citibank to fund, but it is clear that Bahrain is still very dependent on the Euro-currency markets for funds—less than half all OBU liabilities are due to Arab countries, that. As a rule of thumb it probably costs around \$1m. per annum to run an OBU with 15-20 staff. Bank of America, Bahrain, is channelling some for example, employs 42 staff and its annual budget of \$15m. is expected to rise to over \$2m. next year. Bankers estimate that it costs upwards of \$100,000 per annum to station a fairly senior calling officer in Bahrain (including a travel budget).

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THE OFFSHORE MARKET* - JUNE 1977

U.K. LIABILITIES		U.K. CLAIMS	
	£m.		£m.
Bahamas	4204	Bahamas	7855
Cayman Isles	1576	Singapore	3516
Hong Kong	1402	Hong Kong	1735
Bahrain	1024	Cayman Isles	1698
Singapore	886	Bahrain	1692
Lebanon	743	Panama	700
Bermuda	272	Neth. Antilles	70
Panama	242	Lebanon	13

*External liabilities and claims of U.K. banks and certain other institutions in foreign currencies. Source: The Bank of England.

BAHRAIN OBUs

Source and Use of Funds

Sm.	1976				1977	
	June	Sept.	Dec.	March	June	Sept.
ASSETS						
Arab Countries	1,150	1,665	2,387	3,308	4,456	—
North America	63	72	18	67	75	—
Western Europe	878	1,162	1,128	1,989	2,872	—
Offshore Centres	727	1,091	1,241	1,535	1,613	—
Other	684	1,125	1,364	1,649	1,923	—
TOTAL	3,502	5,115	6,214	8,523	10,941	12,909
LIABILITIES						
Arab Countries	1,482	2,045	2,578	3,634	4,973	—
North America	101	224	214	301	449	—
Western Europe	1,304	1,955	2,277	3,431	3,969	—
Offshore Centres	509	610	823	778	1,189	—
Other	186	231	222	179	381	—
TOTAL	3,502	5,115	6,214	8,523	10,941	12,909

Sm.	1975			1976			1977	
	Dec.	March	June	Sept.	Dec.	March	June	Sept.
ASSETS								
Loans to non-banks	—	—	949	1,401	1,724	2,397	2,756	—
Interbank Funds	—	—	87	36	136	158	152	—
Commercial Banks in Bahrain	—	—	85	278	510	763	1,194	—
Other OBUs	—	—	2,364	3,490	3,730	5,233	6,719	—
Outside Bahrain	—	—	17	26	54	82	130	—
Other Assets	—	—	—	—	—	—	—	—
TOTAL	1,687	2,031	3,502	5,115	6,214	8,523	10,941	12,909
LIABILITIES								
Deposits of non-banks	—	—	400	572	598	1,072	1,601	—
Interbank Funds	—	—	62	31	87	120	152	—
Commercial Banks in Bahrain	—	—	85	278	510	763	1,194	—
Other OBUs	—	—	2,951	4,221	4,939	6,473	7,755	—
Outside Bahrain	—	—	4	13	80	85	139	—
Other Liabilities	—	—	—	—	—	—	—	—
TOTAL	1,687	2,031	3,502	5,115	6,214	8,523	10,941	12,909

* Estimate.

holders) through Bahrain. But most bankers one speaks to are disappointed that SAMA, for instance, is not more visible in the local market. Alan Moore argues that local banks would not know what to do with the money if SAMA started putting large chunks through Bahrain — only London and New York can handle that size of money. Maybe, but it would be good for morale if at least SAMA tried.

The BMA is keen to see that Bahrain does not get a reputation as a market that has to pay a premium for funds. Generally, Bahrain OBUs can raise funds at as fine rates as their parents but if more U.S. banks transfer large loan portfolios to Bahrain for tax reasons there will, in the absence of a marked change in Arab depositors' habits, be pressure on banks to pay a premium. Significantly, the proportion of Citibank's large Bahrain dollar book funded locally has fallen from 40 per cent. to 15 per cent. over the past year.

The next problem facing OBUs especially those new to the area that do not possess a ready-made Gulf branch network like ABN, Chartered Bank and Citibank, for example, is the difficulty in identifying good lending opportunities. However optimistic one is, there is no denying that the Gulf has a surplus of funds and an acute shortage of good local credit risks.

There is a limit to the number of new hotels a bank can finance and the heavy bias towards real estate financing is greater than many banks are happy to accept. Grindlays has put together a syndicate loan for a Jordan Hotel, Manufacturers Hanover has established locally, capable of dealing in very sizeable

amounts of money on margins as fine as those in Europe. But where do the OBUs go from here? Will Bahrain remain a money trading centre—a beefed-up Nassau?—or will it develop into something more important?

There are plenty of able bankers, both Arab and expatriate, currently based in Bahrain who could form the nucleus of a far more sophisticated financial community. They argue that there is a limit to the number of aluminium smelters, dry docks, etc., which can be built with the Arab oil revenues. In the final analysis, Arab investors will have no alternative but to invest the bulk of their money in financial assets and, consequently, want control of the financial institutions controlling their financial assets. Brazil wants to borrow Arab dollars, why should it give the mandate to a London bank and not come direct to an Arab institution, such as Gulf International Bank?

Developments of this sort do not occur overnight but there are already signs of pressure in this direction—witness the way Arab consortium banks are muscling in on the lead, managements of a growing number of Arab Eurocredits. However, in the final analysis whether it is Bahrain maturing into the Gulf's financial centre will depend on the political patronage of the local Governments. It is relatively easy to transplant a money market to the Gulf but it is far harder to turn it into a proper capital market with fully fledged merchant banks, discount houses etc. If this is to come about, Bahrain will have to receive more political support from its neighbours than it has had in the past.

W.H.

Bahrain Monetary Agency

The Bahrain Monetary Agency is the government body which monitors Bahrain's offshore banking units and domestic banks

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Foreign exchange operations

A YEAR AGO there was considerable argument over whether Bahrain or Dubai was the best place from which to run a Gulf-wide foreign exchange operation. Dubai, so the argument ran, was an important trading centre and had a much larger volume of natural commercial foreign exchange business.

The argument was flimsy since good telephone and telex facilities throughout most of the Gulf meant that most banks could be in close contact with each other and the physical location was of only secondary importance. However, there is no doubt that Bahrain is now acknowledged as the foreign exchange centre of the Gulf.

According to Alan Moore, no other centre can provide a market in international foreign exchange with as much depth as Bahrain—the forward market, for example, has soared from \$0.5bn. to \$2bn. over the past year. But what of the OBUs themselves, are they making money? Bahrain is an expensive place to operate, there is no doubt of that. As a rule of thumb it probably costs around \$1m. per annum to run an OBU with 15-20 staff. Bank of America, Bahrain, is headquartered in 15-20 staff. Bank of America, Bahrain, is channelling some for example, employs 42 staff and its annual budget of \$15m. is expected to rise to over \$2m. next year. Bankers estimate that it costs upwards of \$100,000 per annum to station a fairly senior calling officer in Bahrain (including a travel budget).

By contrast it is more difficult to assess whether all OBUs are generating new business for their bank, as opposed to re-channelling some of the existing business which had previously been done through head office. If a banker can locate 100m. Saudi Riyals in London why pay him ten times the salary and post him to Bahrain?

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BAHRAIN BANKING AND FINANCE VII

Increased scope for merchant bankers

BAHRAIN MAY be catching up Singapore rapidly in terms of offshore assets but it still not match the number and variety of financial institutions operating in the Asian offshore market. Singapore boasts a number of merchant banks, four discount houses, and five money brokers. Along with Hong Kong it is developing into an important regional loan syndication centre and the Monetary Authority of Singapore actively sponsors and trades in Asian dollar bonds.

Bahrain is a much younger financial centre than either Hong Kong or Singapore and at a far less advanced stage of development but the Bahrain Monetary Agency is looking seriously at the possibility of issuing special merchant banking licences. These will not offer as much scope as the OBU licences but may allow merchant banks to set up locally incorporated subsidiaries which could have tax advantages. A growing number of investment companies are being established around the Gulf which are not pure banks. The Bahrain Investment Company, was recently formed, for example, with the partial backing of Bahrain's new Organisation for Social Insurance. BIC will not want to trade heavily in the money markets but it would like a merchant banking licence. This is the sort of institution that could be attracted.

Traditional

While most commercial banks are happy to trade in the money markets, a merchant bank's traditional sphere of influence is the capital market. Both the local Bahraini capital market and the Gulf-wide capital market are still relatively thin and unsophisticated so the scope for a European merchant bank, for instance, is limited. Of the U.K. merchant banks, only Kleinwort Benson has so far opened a representative office locally.

Compared with its neighbour Bahrain is a relatively poor country and does not have vast reserves of investment capital that could be tapped by private placements or bond issues. However, it could become much more important if the proposals for a unified Gulf currency were acted on, but this still seems some years off.

There is plenty of wealth in the rest of the Gulf but nevertheless the local capital market is still not very advanced. There are two basic problems. First, long-term Gulf currency interest rates are stuck above comparable Eurodollar market rates so, though such an issue far too ambitious given Bahrain's fledgling status. But in fact large amounts of local Gulf money especially if they have to shoulder a fairly horrid exchange risk as well. The second problem is that until recently there has not been an effective secondary

market in local bond issues, although there is no denying the growing absorptive capacity of the region. A few Bahrain OBU's are now starting to trade bonds and the Arab Company for Trading Securities (ACTS) has been set up recently in Kuwait, with the backing of KIIC, and is becoming an active secondary marketmaker.

Despite these limitations, a handful of Bahrain OBU's have become increasingly involved in merchant banking-type activities over the last 12 months. BAI (Middle East) Inc. is the most notable. Since opening in Bahrain it has led managed in association with its Paris parent, six Arab currency bond issues totalling \$350m. and co-managed another \$100m. Grindlays OBU played a key role in putting together the \$12m syndicated medium term loan for Jordanian Hotels and Tourism and Scandinavian Bank is making a name for itself as fiscal agent bank for BD bond issues. Citicorp International Bank's Bahrain representative office is helping support the secondary bond market and a number of banks are arranging performance bonds and guarantees.

The Bahrain market has also been bolstered by the establishment of the Gulf International Bank—owned jointly by the Governments of Saudi Arabia, Kuwait, Iraq, Oman, Bahrain, Qatar and the United Arab Emirates—in Bahrain. By the end of June shareholders' funds amounted to \$72m. and total footings had been built up to \$336m. It plans to open a London office later this year and its name is starting to appear regularly in tombstones, sometimes as a co-manager. It is still too early to say how GIB will develop but it could play an important role in enhancing Bahrain's international stature as a local syndicator of capital.

At the moment local syndication activity is not very important. The managers of the OBU may identify possible lending opportunities and the back-up work such as legal documentation is still done in Europe. The OBU's then help market the loan around the Gulf. The basic constraint preventing OBU's from becoming more heavily involved in loan syndication is the shortage of good local lending opportunities. Unlike the Far East, the Gulf is a net exporter of capital.

The issue of the first Bahraini bond for the Republic of the Philippines last February was an important milestone in the development of Bahrain's offshore market. A year ago most bankers would have thought such an issue far too ambitious given Bahrain's fledgling status. But in fact large amounts of local Gulf money especially if they have to shoulder a fairly horrid exchange risk as well. The second problem is that until recently there has not been an effective secondary

market at a rate no higher than the coupon on the bonds. But this does not apply to investors generally and there is no guarantee that it will continue in existence for ever. Consequently, the BD bond issues are being looked upon as an experiment. Alan Moore, Kidder Peabody and BAI for instance, is much more in share joint credit for the interest in seeing Arab dollar development of this market issues placed and issued exclusively in the Gulf. This will be the way of soaking up the surplus liquidity in the local market. It is still unclear how much of these issues was placed in firm offshore market. So far investor hands and how much went on to the OBU's own paper. The Alfa promissory notes are a start though they are very narrow and one banker estimated that its absorptive capacity was no more than \$50m. Another issue for PEMEX is in the pipeline but the BMA is scheduling this to follow its own issue of local BD development bonds. So far there has been little trading in the secondary market although BAI, CIBL and Scandinavian Bank are prepared to act as secondary market-makers.

Credit

One of the main reasons why the three issues were moderately well received was because of the Bahrain Monetary Agency undertook to provide a "safety net" for the management group. The BMA promised that if any of the names in the prospectus were willing to maintain a secondary market in the bonds it would guarantee the availability of dinars on the

market — ABN, Citibank, Banque de L'Indochine are perstates, for example, a liquidity crisis may blow up just because there are very few local Saudi banks dealing in a big way, so foreign banks sometimes find themselves at a disadvantage.

In the spot foreign exchange and short-term deposit markets, daily turnover in Saudi riyals could be running at between SR750m. and SR1bn. and trading spreads up to six months compare favourably with dollar deposits. An active forward market is also developing with deals of SR100m. for periods of three years being fairly common. It is understood that the Saudi Arabian authorities do not look too favourably on the burgeoning offshore-market in Saudi riyals but since they insist on depositing so many contracts in their local currency there is little they can do about it.

Compared with Saudi riyals the Kuwaiti-dinar market is more sophisticated since there are as many as a dozen Kuwaiti banks involved, and there is, consequently, a better two-way business. Naturally the market is smaller in size than the Saudi market, but communications are better and an active forward market has been pioneered by the United Bank of Kuwait, among others.

Foreign

On the foreign exchange and deposit market the daily turnover in Kuwaiti dinars could be running at, say, KD25-30m. (\$100m.). In the other Gulf currencies turnover is much smaller. In Omani riyals it may be no more than QR3-4m. daily and in Qatari riyals it is probably no more than QR40-50m. daily.

The improvement in the local inter-bank deposit markets has spurred the development of an important forward market. From just \$300m. in June, 1976 it has grown to \$2bn. according to the BMA. As much of the Middle East trade is blessed towards buyers of forward dollars, banks frequently have to cover themselves through the deposit market, and the two markets are growing side by side.

Bahrain's foreign exchange and deposit markets, both in local and international currencies, should continue to grow fairly rapidly as new banks enter the market and local banks become more skilled. But for some people the growth rate is not fast enough. A common complaint is that new banks do not have sufficiently large dealing limits to become actively involved. Alan Moore admits that this might occasionally be the case, but is generally satisfied that local dealers have enough discretion.

A more significant constraint, however, seems to be the downturn in speculative activity after the dirham crisis. This is an emotive subject and the Bahrain OBU's have been blamed for causing the dirham crisis through their speculation. The BMA does not accept that this was true. Nevertheless, banks generally seem more reluctant than they were a year ago to take a position and ride the yield curve. This might be prudent banking, but it limits the growth of the market, especially when it does not have a large commercial base.

W.H.

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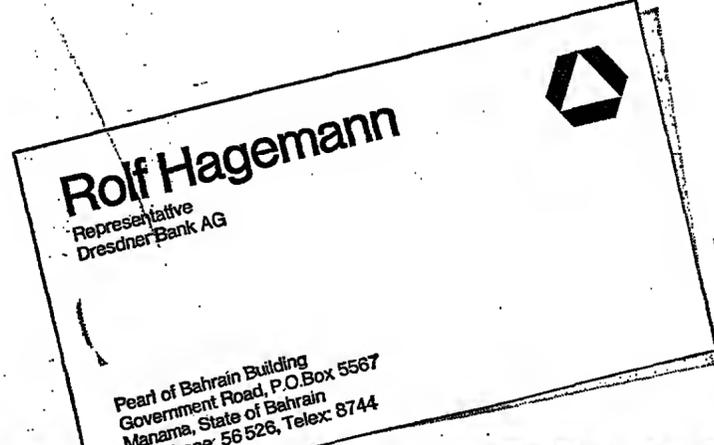


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Retail sector slowdown

BUSINESS IN Bahrain is now compensating for the abnormal growth of 1976 and not liking it very much. Last year's profitable expansion for Bahrain's traders has made this year's quiet business scene feel much more like an acute recession than it really is. The measure of the merchant community's discontent was the formation by the government of a joint business-government committee to study the economy.

While no senior government official or minister would even hint that this committee is just a high level opiate for the traders, it is no secret that the Bahrain government is relieved rather than worried by the slow-down in business and the steady reduction in the rate of inflation which appears to be accompanying it.

For the 18 commercial banks in Bahrain, a year of relative quiet is no bad thing (but for the 19th and newest, the National Commercial Bank of Bahrain, a more expansionary market would give it a better start). During 1976, bank lending to all sectors of the economy

increased by over 60 per cent, with even higher figures in some individual cases.

Bank borrowings are now sliding down to a more stable figure. A virtual halt in lending in the first month of this year has now relaxed and lending at the end of June 1977 was just over 11 per cent up on lending at the end of December 1976. The massive increases in borrowings last year have given indications, to different degrees, to both borrowers and lenders.

A large part of the early months of this year has been spent by both parties in sorting out their accounts. The credit terms have tightened up considerably and it will be only a matter of time before one of the trading houses with a better debt collection record than the others hives off part of its accounts department into a separate debt collecting agency. If a merchant house does not, a couple of Western expatriate housewives probably will.

The lending pattern in Bahrain showed one remarkable change in the course of

1976. By mid-year, lending to the construction sector had overtaken lending to trade in an island which had long had a tradition of entrepot business. At the end of the first quarter of 1976 lending to construction accounted for just under 28 per cent of the total, borrowings to finance trade accounted for about 33 per cent.

Property

The comparable figures for the second quarter were 34 and 26 per cent. One senior banker in Bahrain has estimated that there must be some \$200m outstanding on property loans alone. At the end of June 1977 the total lent to the construction sector (a fairly loose definition) was \$285m, just under 38 per cent of all lending. Trade borrowings were still at 26 per cent of the total.

The biggest lenders in Bahrain are the National Bank of Bahrain, (which had an increase of over 30 per cent in advances last year) Chartered Bank, Bank Mellat, and the British Bank of the Middle East,

and the Bank of Bahrain and Kuwait (in no particular order). Surprisingly Citibank, one of the largest banks in the world, seems to have barely made a dent in the retail scene in Bahrain.

Citibank, which has conspicuous and relatively large premises in Bahrain, is among the top five retail banks measured by last year's balance sheet totals. But a quick look at the figures shows that it is more in than in lending to individuals or companies. An analysis of last year's banking figures produced by the Bahrain Monetary Agency show that the Bahrain Citibank's deposits with other Citibank branches totalled roughly \$29m and its deposits with other banks came to \$105.75m. Advances were a mere \$21.5m.

Most of the commercial banks in Bahrain are now being quite choosy about the kind of business they take on and a good few are trying to shed some of their smaller accounts. Retail banking in Bahrain is beset by very high overheads, both in

terms of staff and of premises. The high cost of staff, private, funds from the island whether Bahraini or Western or Eastern expatriate, allied to the often cramped premises of the banks, have led the smaller banks to devise various ways of discouraging small business, private or corporate. The most popular method has been to have long been talking of the desirability of such instruments. These negotiable certificates of deposit have been moderately well taken up more by the larger clients of BRK but there is very little trade in them. Local comment suggests that it will take a while for the idea to catch on and a market to develop. As yet there is little trade in the few local securities which do exist, most shares being bought on a buy and hold basis. Some bankers have suggested that because of the high level of liquidity in the banking system there will be little interbank trade in these certificates.

Subscription

At the beginning of October the Bahrain government opened the subscription list for its own five-year 8 per cent registered development bonds. Initial purchasers have to be Bahraini institutions and the minimum subscription is for \$125,000 with the bonds thereafter freely transferable in lots of \$2,500.

As with the shares of local joint stock companies there is unlikely to be much trade in these bonds initially for, as one banker has said, "people have yet to learn about the capital value of bonds and equities, and stop concentrating on their income yield." The immediate business outlook for retail banks in Bahrain is good if dull, especially when compared with last year. One or two banks have customers in the construction field which are operating under very strained circumstances. But although there is a glut of possible bankruptcies (and ironically a draft bankruptcy law is being presented to the Bahrain cabinet soon), ten months into 1977 has seen only one construction company failure.

Doina Thomas

Representative offices

THERE ARE now just over 20 bank representative offices in Bahrain - the number having nearly doubled over the past year. Such diverse institutions as the Al Saudi Bank, National Bank of Greece, Bank of Tokyo and Thomas Cook Bankers have paid their \$5,000 fee and opened offices in recent months.

However, not all the bank representatives one meets are as enthusiastic about Bahrain's potential as are the managers of the offshore banking units. Part of the problem is that many representatives still banker after the good old days in Beirut which at its peak harboured over 70 representative offices, including such illustrious names as Morgan Guaranty, Deutsche Bank and Credit Lyonnais (all of whom are missing from Bahrain). Beirut was an ideal meeting place between

the Middle East and the West and a representative could ply his trade in considerable comfort. Where else in the world could one go skiing in the morning and sunbathe on the beach in the afternoon, be manoeuvred one banker recently posted to Bahrain.

For many bankers, Bahrain is still looked upon as a hardship posting but with most Arab countries now closed to foreign banks Bahrain is generally considered as the best of a bad bunch from a representative's point of view. It is an expensive place to operate - one banker estimated that running a Bahrain representative office on a shoe-string costs \$100,000 per annum but more generally \$200,000 per annum is the rule. But communications are good and most Arab capitals are within easy reach.

Texas Commerce Bank is a newcomer to the Middle East and perhaps significantly it decided to site its first ever Middle East listening post in Bahrain. Before making its decision TCB looked closely at the alternatives. Dubai looked promising with its background of commercial trade and Cairo was seriously considered. But in the end the bank plumped for Bahrain because of its first-class communications and the openness with which the Government welcomed foreign banks. Added to which the growing number of OBU's meant that Bahrain was becoming increasingly important in its own right. One banker commented that clients were at last starting to visit him in Bahrain as opposed to him always going and visiting them.

Not all banks are as fortunate as Texas Commerce Bank in having so many of its major corporate clients operating locally. Texas companies such as Brown and Root and Hughes Tool have made big inroads into the Middle East market and according to one estimate at least half of the \$6bn in annual Middle East contracts placed in the U.S. are with Houston companies. Newsweek Magazine, for example, quoted one Saudi businessman recently as saying "What New York is financially and spiritually to Israel, so is Houston to the Arab world."

Travelling

However, most banks new to the area do not have such a ready-made customer base as does the Texas Commerce Bank. The majority of them spend the bulk of their time travelling outside Bahrain. Personal contact is an important part of doing business with Arab clients and while regular visits often take time to develop into real business, a representative on the spot in Bahrain has a big advantage over the banker servicing the Gulf through periodic visits from London or New York.

Every representative tends to interpret his role slightly differently. The two Australian banks, for instance, partly concentrate on developing trade between Australia and the Gulf while the Swiss banks keep an eye on the now much diminished Dubai gold trade among their other responsibilities.

Basically, however, the work of a Bahrain representative office splits into three parts. First of all there is the need to maintain and develop links with correspondent banks. Correspondent banking is not as glamorous as putting together a major loan syndicate or arranging a sophisticated project financing but for most banks it is an important part of their day-to-day business and one they can ill afford to neglect. Since foreign banks are barred from operating in many Arab countries they have to rely on local correspondents increasingly to service their clients' needs: if a major construction contract is being undertaken by a U.K. contractor in Saudi Arabia a U.K. clearing bank will have to delegate much of the business to a local bank such as the National Commercial Bank or the Riyad Bank. For example, there might seem little immediate profit for a U.K. bank in such a deal but in the interests of his customer the U.K. bank should try and see that his client is well looked after. Unless a bank has a long standing relationship with the local bank this is often hard to ensure.

The second important priority for any representative office is to look after the interests of local clients in the Gulf, intro-

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ducing them to local contacts and identifying possible profitable business opportunities. British companies, such as Taylor Woodrow, Costain and Wimpey are active round the Gulf as are many of the biggest German and Swiss companies and they need up-to-date information on a variety of financial matters such as the possibilities for arranging forward exchange cover on contracts, sources of finance for performance bonds and the credit standing of some unknown Arab customer. It is impossible to measure the profitability of such services, most of which anyway, tend to be given free of charge, but financial advice is an important aspect of any bank's business in the Gulf and unless it has a competent local representative a corporate client may be tempted to switch his account to someone like Citibank.

Finally, bank representatives in Bahrain are expected to generate new business. This might take the form of identifying a cheap source of long term Arab deposits or generating lending opportunities with new Arab clients.

For the big Swiss banks and the German banks a further important part of their representative's time is spent trying to sell their bank's portfolio management services. These are aimed more at the wealthy Arab investor than the expatriate engineer. Commerzbank, for instance, does not like to handle portfolios of less than DM500,000 in size and Union Bank of Switzerland, in particular, has carved out a special niche for itself managing Arab funds. It will be a long time before a local centre or bank can match the appealing anonymity of a Swiss bank account or match Switzerland's long term political stability for that matter. It should not be forgotten that several of the rulers of the UAE came to power in a coup d'etat.

A number of local representative offices also peddle Eurobonds around the Gulf and use their offices as a means of improving their placing power. In fact, some representative offices are engaged in quasi-banking activities which is frowned upon by the BMA and this is one reason why it is considering introducing a special merchant banking licence which would legitimise this side of their business.

W.H.

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البنك الوطني

SOCIETY TO-DAY: THE CLOSED SHOP

BY JOE ROGALY

A principle is a principle is a principle

"THE CONSERVATIVE Party is against child labour," reads its latest eve-of-conference policy statement, *The Right to Prevail*. "We believe that in the past the threats to children's health that can spring from sending eight-year-old boys up chimneys have been ignored or pushed aside because the convenience of their small size, to children and sometimes to mastersweeps, has been allowed to become the first consideration. We believe that mastersweeps and children can and should do without such arrangements." Having thus clearly and fearlessly set out the principle, this important document then goes on to describe exactly what is to be done.

Or rather, it describes exactly what is not to be done. "We recognise, however," it says, "that a simple attempt to ban child chimney-sweeps can be not only ineffective, but sometimes even harmful to some of the children concerned. The evidence suggests that informal agreements continue even if formal ones are banned. They may restrict chimney work far more than an open agreement which is regulated and limited."

The rigorous logic of this approach is then followed through: "We are determined to provide the best protection for the individual child. So we propose that if agreements on child chimney-sweeping are made, the following points must be observed:

for periodic repeats of the heat of it for those children who cannot hear the small of soot. In the above flight of fancy I have interred only a very little with the text on page 49 of "The Right Approach to the Economy," in which the Conservative Party's present attitude to the closed shop is set out in such a way that the document could bear the names of both Mr. James Prior and Sir Keith Joseph. It is a masterly piece of work, enabling those who are positively anxious to abandon principle to do so by flourishing one set of phrases, while soothing the consciences of the rest with another.

When she appeared on television yesterday Mrs. Margaret Thatcher emphasised those aspects of the policy statement that appear to re-affirm the principles of democracy and individual freedom.

"A new very damaging law has been introduced, namely that a man or woman can be sacked from their job merely because they have not joined a union—that is the legacy of this Government for the working people of this country. I believe that is wrong. I believe most people think it is wrong."

But what is to be done about it? "You must, at least, if you are sacked have a right to compensation," said Mrs. Thatcher. "You really ought not to have unions having that amount of power over individual men and women without any recourse to a court of law. Laws have always looked after the individual—we must reserve that right of appeal."

It will be seen that this is no advance on the agreed Tory policy: the unions insist on having closed shops; we can do nothing about it and if we try we could lose the election on the ground that the unions are against us; therefore we must

offer palliatives to our own liberal fanatics by suggesting ways of protecting some of the individuals who might get hurt.

Close observers of what will become the documents for the proper historical study of post-war Britain will note the similarities between this argument as set out in "The Right Approach to the Economy" and paragraphs 585 to 618 of the Donovan Report on Trade Unions, published nearly ten years ago. The Donovan line was, in essence, the one I have summarised in the paragraph above. The only difference he-



Masterly document bearing the names of Mr. James Prior (left) and Sir Keith Joseph.

their labour force. It might have withered away.

To-day the picture is quite different. Slatc employers, like British Rail, can be persuaded to accept it. Opportunist private employers, like some of those in the engineering industry, calculate with little thought for morality that it is easier to push individual workers around if you have the shop steward as your fellow-bully than otherwise; these too will actually welcome the closed shop. Young, woolly-headed new recruits to the unions accept the tired old argument about "free riders" (those who enjoy the benefits of a century of trade union struggle without actually joining) without questioning the validity of any such enervating device in an age in which so many workers' rights are protected by law.

A trade union with 75 per cent, or even 50 per cent membership can bring most companies to a halt just as well as one with 100 per cent membership. If a tenth or a fifth of the employees do not want to join there may be a case for arranging that they pay an amount equivalent to trade union dues to a charity or even in some circumstances to the union itself. Since their wages are likely to have been negotiated by the union—but there is no reason why they should submit themselves to the unpredictable disciplines of membership if they choose not to do so.

Many modern trade unions are better regarded as service organisations struggling to win rights for the exploited. This is certainly true of most of the activities of the increasingly large and powerful white-collar unions. They thrive by recruitment; their service is often welcome to members. If an insurance clerk, or a local government official, or a civil servant, wants to benefit from the services offered by these unfettered companies, that is fine. But to equate them with suffering and struggle of a voluntary age is usually fallacious: it may satisfy a longing in certain souls, but it does not represent truth. For these conglomerates, there is no moral case whatsoever for obligatory membership.

To those who say, "You ignore legislation—there is no way of legislating the closed shop away"—the reply must be "then change reality." That would be a reasonable aspiration for a modern libertarian party of any colour. It is the least one can expect of the Conservative Party, with its pretensions about being the last bastion available in the war against collectivism.

Mrs. Margaret Thatcher has herself brandished the necessary weapon: a referendum. The vote, nationally and in trade unions and on the shop floor could go a long way towards vacating the closed shop. It would also show that most of the British people, at least, understand what is meant by a principle.

Others might say, "But this is not really an important matter. Most people are content. Just a few diehards suffer." Once again, the importance of principle is the key. Establish the principle of the freedom of the worker in this matter, and other principles of freedom will have a better chance. Let it slide, and a great deal else goes with it.

Creating real jobs

From Mr. R. Jones.
Sir—It strikes me as a curious oversight that job creation is generally talked of in terms of manufacturing operations and jobs at "workshops" level. Surely we have had time to learn that the wealth creating activity is a "pulling" rather than a "pushing" process. There is no point in producing things that are not sold.

It would seem to be a good idea to concentrate on job creation at the selling end of the marketing process and subsidise the employment of salesmen, especially export-salesmen. For example, funds could be devoted to giving foreign language training to unemployed sales people and to paying a subsidy to firms that create foreign-based sales posts. The trade generated by these created jobs would result in further job creation in response to a real market need rather than artificial government intervention.

Robert J. Jones,
44, Kent Gardens, Ealing, W.13.

Lending to the service sector

From The Chairman, Security Holdings.
Sir—Mr. Cuchran's letter (October 4), highlights the fact that small company pension schemes are largely invested on the side that sector, is a timely reminder for the Wilson Committee.

Many of the small businesses we need to encourage if we are to have any hope of significantly lowering unemployment will lie in the service sector. These businesses, low on assets, but potentially profitable, are normally started by very young entrepreneurs, whose ability to offer any security acceptable to a traditional banking mind is limited.

Could I suggest that the best solution lies in the extension of the Agricultural Credit Corporation's loan guarantee scheme to small businesses. This approach would give the small business the necessary guarantees that banks are bound to request, when on all other grounds they would be happy to extend overdraft facilities or medium term loans to the small concern. Based on my experience, defaults would be exceptional, and the cost to the taxpayer negligible.

Peter M. Brown,
12, Hyde Park Place, W.2.

Lib-Lab pact

From Mr. C. Radmore.
Sir—Mr. Peter Easton (October 6) has obviously not thought out the logical course events may very well take consequent upon his Party's pact with Labour.

The Liberals may have caused what seems to be a partial recovery in our economic fortunes, although with 1.6m. unemployed (and still rising) and a continuing inflation rate of 18 per cent. (with Treasury Ministers divided on next year's forecast) I beg leave to remain sceptical until more monthly figures have been published.

The political results of the pact are much easier to forecast and it is only Liberals like Mr. Cyril Smith who have correctly viewed the hunger term effect of the pact. The Liberal Party not only bought time for the Labour Government and simultaneously spared it from electoral disaster, but saved itself from electoral disaster also and it is hypocrisy of the worst sort for David Steel to talk about putting the national interest first when the national interest in this case happily coincided with Liberal Party interest.

Furthermore, it has been made abundantly clear, if it was not clear already, that the Liberals will be abandoned like an old shoe, if the Labour Party gain a clear majority at the next election and moreover if that unhappy day comes to pass it will be the Liberal Party who have given them the chance to regroup their forces and it will be the Liberal Party who have paved the way for more and possibly stronger doses of Left-wing socialism, which may make 1974-76 seem like the proverbial tea party.

That possibility will be put off for many years, if not for ever, the cherished Liberal desire of the re-alignment of the forces of the Centre. If the Liberals genuinely wanted to bring that about they would have left this dangerous and incompetent Government to the fate it deserved last year. Instead of which they have brought themselves more time in this Parliament at the expense of being an important force in the next, or whether the national results in a Labour majority or a Conservative majority, the Liberal Party will have been defeated.

Perhaps Mr. Easton and his

Uses of oil funds

From Mr. A. Llewellyn.
Sir—Mr. Samuel Brittan's articles of September 15, 22, 29, and October 6, taken together, are a masterly exposition of the worries facing the Chancellor and his advisers as the IMF's imposed conditions and North Sea oil and gas begin to take us into solid and, hopefully, sustained payments surplus, despite the running rates of unemployment and inflation.

Had North Sea oil and gas not been found, I suggest that the 1973 level of crude oil prices would have forced upon us the vital need for crash programmes in nationwide nuclear power generation (fast breeder) and in coal processing for more gaseous and liquid products. The investment required would have been offset by the savings in imported crude, eventually totalling (no guess) some \$20bn. annually, out of about 100m. tonnes imported annually.

North Sea oil already on stream or to come on stream is of light quality, too good for burning in power stations, while the unfriendly sea environment makes for very high exploration, pre-production and production costs, acceptable only if world prices for crude remain high and reserves, the quality problem is of course solved by swapping our light crude for overseas heavy crude, but we have to deplete our reserves to do nothing that swag. We can do nothing about the other problems except, perhaps, to accelerate exploration over the next say five years, most expensive operation. Seemingly, therefore, logic dictates that we mount those same crash programmes, and without delay.

The rising annual costs of the programmes can be directly financed from EMG's rising and

Running your luck

From Mr. W. Keir.
Sir—Several of your readers who have invested in premium savings bonds complain that over a period of many years they have never won a prize of any kind. This is to be expected. Many readers on the other hand will have won several prizes with the same batch of bonds.

The unexpected grouping of similar numbers is something of the unusual grouping of much of the markets, including transportation, now catered for by oil and natural gas. Raw coal (or manufactured solid fuel) should be competitive for many of the heating loads now carried by electricity, oil and gas. Coal converted into electricity is expensive for heating; there is no evidence yet that coal converted into gas would be any cheaper, or would be competitive with coal combusted in the modern appliances now coming through.

There is an old-fashioned prejudice against burning coal: the clusters of things that occur against burning oil or gas, or using electricity for heating. When world resources of coal start to fall, then there'll be plenty of time to think of coal serving them.

J. Goodland,
The Doner House, Puteigh, Taunton, Somerset.

The merits of coal

From Mr. J. Goodland.
Sir—The first article of your survey on World Coal Mining (October 7) ends with the Delphic sentence: "Coal is already being seen as too valuable a raw material simply to be burned under boilers. Assuming we need boilers, what fuel should be burned under them? Surely not oil, gas or uranium."

As there is no fear of a world coal shortage—there seems to be a surplus of reserves and even stocks over demand in several countries—it would make more sense to start restricting the burning of more short-lived (and more chemically valuable) oil and natural gas, and to start confining their use to those processes which cannot yet be performed by coal or its products.

This transfer from primary oil and natural gas to coal would take several years, but is inevitable if we would be much better to start the transfer now, rather than wait for the time when indigenous reserves dry up, or imports dwindle.

Early in the next century the burning of oil and natural gas for the production of heat will be unthinkable. Raw coal will be competing with uranium in the energy market, with a small but growing contribution from renewable resources. The future of the nuclear contribution will depend entirely on the worldwide acceptance of the fast breeder reactor, or the development of fusion.

As well as supplying a part of the electricity generating demand, coal will be virtually the sole source of hydrocarbon feedstock, for both industrial processes (perhaps food as well as chemicals) and energy use. Coal would, as now, supply part of the electricity market and much of the markets, including transportation, now catered for by oil and natural gas. Raw coal (or manufactured solid fuel) should be competitive for many of the heating loads now carried by electricity, oil and gas.

Coal converted into electricity is expensive for heating; there is no evidence yet that coal converted into gas would be any cheaper, or would be competitive with coal combusted in the modern appliances now coming through.

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J. Goodland,
The Doner House, Puteigh, Taunton, Somerset.

GENERAL

Dr. David Owen, Foreign Secretary, ends two-day talks in Moscow with Mr. Andrei Gromyko, his Soviet counterpart.

Conservative Party conference opens, Blackpool, with debates on industry, education, free enterprise and industrial relations.

Minister speakers include Sir Keith Joseph, Shadow Cabinet member for policy and research.

EEC Agriculture, Fisheries Ministers meet, Luxembourg.

European Parliament in session, Luxembourg.

Mr. Janet Jones, general secretary, Transport and General Workers' Union, and Mr. Doug Fraser, president, United Automobile Workers of U.S., make statements in London after discussions motor industry problems common to both countries.

Association of Independent Businesses gives oral evidence to Wilson Committee on City institutions.

Hong Kong and EEC start negotiating their textile agreement, Brussels.

Sir George Porter, director, Royal Institution, chairs forum on Nuclear Power and the Energy Future, London.

London Chamber of Commerce and Industry Council meets.

International Business Show opens, National Exhibition Centre, Birmingham until October 20.

Electronic Instrument Exhibition opens, Bloomsbury Centre Hotel, W.C.1 (until October 13).

National Collectors 10th bi-annual Fair opens, Cumberland Hotel, W.1 (until October 13).

City Road, E.C. 12. United British Securities, Tristram, Cannon Street, E.C. 12. United Tin Areas, 25, City Road, E.C. 11. Warner Holidays, Cafe Royal, W. 12.

OFFICIAL STATISTICS

Central Government financial transactions, including borrowing requirement (September). Provisional figures of vehicle production (September).

COMPANY RESULTS

Associated Elcort Manufacturers half-year, Swan Hunter (full year).

COMPANY MEETINGS

Bodgoad-Peleph, 32-34, High Street, W.1. Royal Festival Hall, W.C. 12. Kwahu, 23, Hall, S.E.1, 8 p.m.

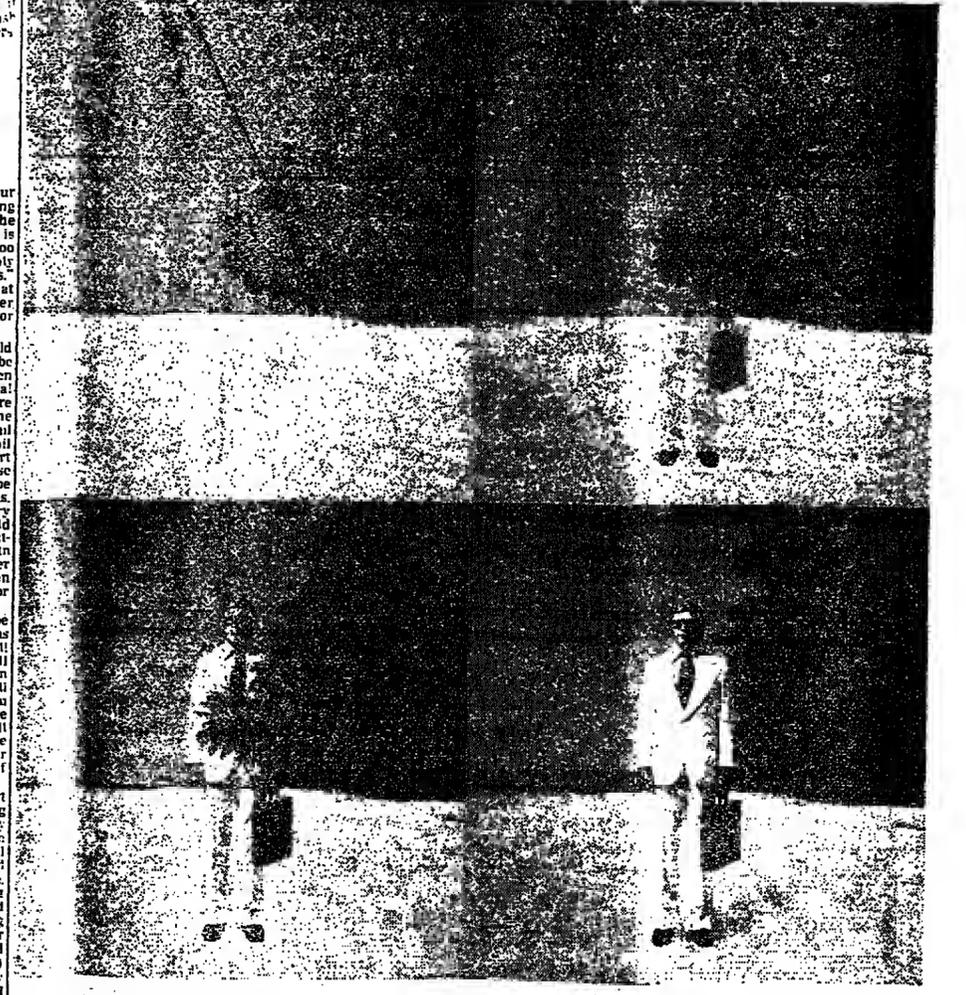
English National Opera production of Werther, Coliseum Theatre, W.C.2, 7.30 p.m.

MUSIC

City Music Society, Julian Lloyd Webber (cello) and Yvonne Scott (piano), Bishopsgate Hall, E.C.2, 1.05 p.m.

Philharmonia Orchestra, conductor Eduardo Mata, with Alfredo Hodason (contralto), Philharmonia Chorus and Southend Boys' Choir perform Mahler's Symphony No. 2, Royal Festival Hall, W.C. 12, 8 p.m.

To-day's Events



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AIR NEW ZEALAND
Well in the Pacific.

MINING NEWS
Gloomy outlook at Union Miniere

THE BELGIAN mining and investment group, Union Miniere, has indicated that its results this year might be worse than in 1976 when there was a 16.5 per cent drop in net profits.

In a statement from the group, reviewing developments in the first half of this year, said that investment revenue "remained overall at the level of the corresponding period in the previous year."

At the same time the group has been hit by the recession in non-ferrous metal prices. "The depression of these prices on world markets will undoubtedly weigh heavily upon the results of the year in progress," the group stated.

There has, in short, been no improvement in the economic climate for Union Miniere since last year which was classified by the chairman, Mr. Paul-Emile Corblin, as the "most difficult since the current world crisis broke out nearly three years ago."

In 1976 the profits of Union Miniere were £1,958,518,782 (£13.1m) compared with £1,781,484,000 the year before, despite higher metal prices.

The final outcome is of vital importance for Tanganyika Concessions, which holds 17.6 per cent in Union Miniere. Dividends from the group are included in the Tanganyika results for the year.

Since the expropriation of its assets in Zaïre and the subsequent payment of compensation, Union Miniere has followed a rigorous diversification policy, parts of which have run into problems because of the general market situation.

At its Thierzy copper mine in Canada, production of concentrates from a stockpile of operations are still running at a reduced level and the current target is, as the group put it, "to balance the cash budget."

Although Jersey Minerals Zinc's mine at Elmwood has suffered because of the falling metal price, an operating profit is still being made.

Tara closing Navan

AT EUROPE'S largest lead-zinc deposit in Navan, Co. Meath, Tara Mines last night began a phased close-down only 3 1/2 months after going on stream, reports Giles Merritt from Dublin.

Up to 550 of its 450-strong on-site work force were laid off because of a dispute over bonus payments that has led to the miners operating a go-slow.

Production was yesterday down to about 1,000 tons, or 30 per cent of projected output, and Tara's management has announced a "planned and orderly run down" so that the mine can be put on a care and maintenance basis until the dispute is settled.

But it is being pointed out in Dublin that Tara is less reluctant to halt production than might be expected because of falling zinc prices. In May, 1974, zinc prices fell to a low of 25¢ a tonne, but has fallen to a closing price yesterday of £281.25.

The present dispute is the second to have interrupted Tara's operations since production began in 1969 and is being held up until September the company issued protective notices to all its 500 employees when an unrelated dispute at the Dublin port held up shipments and threatened the mine with a close-down.

Tara Mines works the Navan deposit for the Irish Government, which owns 25 per cent, and Tara Exploration, which owns the remaining 75 per cent. Tara Exploration shares yesterday were £165.

The accompanying table shows production increases at Aokam and Southern Malayan as well as statistics from the Lower Congo and other areas.

Table with columns: Area, 1976, 1977, % change. Rows include Aokam, Southern Malayan, Lower Congo, etc.

Production at Gepeng Consolidated continues to be affected by water shortage and with 11 months of the financial year gone, its production is lagging. Cumulative output for the period was 1,673 tonnes against 2,020.25 tonnes in 1976-77.

BIDS AND DEALS
Crane Fruehauf well ahead halfway

Crane Fruehauf yesterday sent out its formal rejection of the bid from Fruehauf Corporation along with news of nearly troubled first half profits.

The defence of Crane rests mainly on the increased profits and forecast of more to come in the second half, despite industrial disputes. The Board points out that even on the basis of last year's profits, the offer of 51p is 8.4 which is less than that of the Financial Times Actuaries Industrial Group index.

The first half profits have risen from £470,000 to £1.2m, and the Board rejects the implication of Fruehauf that the trailer market is moving towards the peak of the current cycle. Furthermore it quotes the Monopolies and Mergers Commission in support of its claim to be able to prosper as a business.

The Commission asserted that Crane "is a well-managed company with the technical, managerial and financial resources to maintain and develop its business."

The Board maintains that Crane is receiving "progressively less value" in return for the royalty payments to Fruehauf and estimates that they will amount to £500,000 in the current year. The licence agreement will be terminated at the earliest possible opportunity which is April 1979. An interim dividend of 2p is declared, compared with 0.45p for the year 1976, the total was 2.13p.

It is the announcement of Fruehauf's offer, Crane's share price has at all times exceeded 51p implying that the market does not think the offer high enough, though it closed down 1p last night at 56p.

Building Societies to Merge
The National Building Society and Merida Building Society and the Midlands Building Society are to merge next year.

Supara has three operating subsidiaries in Indonesia, which together own approximately 8,500 acres of rubber and 2,170 acres of oil palm in North Sumatra. In addition, there is a portfolio of UK quoted plantation shares and cash worth approximately £2m.

UNICORN INDS.
In its second deal on the American continent...

Unicorn Investments has bought a majority shareholding in Rebelos Brazil from Thyssen interests. Rebelos is the fourth largest abrasive company in Brazil with a turnover in excess of £2m and net assets of £1.5m.

Unicorn will acquire the rights to manufacture VESPEL diamond products from E. I. Du Pont Nemours. By the deal Unicorn gets worldwide rights to all Du Pont patents for manufacturing diamond abrasive products from VESPEL polyamide resin.

The Board of Newey Group has been informed that William Frym-Werke, a partnership based in West Germany, and E. Stobber, a German firm, have agreed in the production of a wide range of metalwires, has acquired 457,685 Ordinary shares in Newey at 65p, representing 18.7 per cent of Ordinary capital.

Edinburgh & Dundee
Expectations that the mysterious predator believed to be a pension fund—which has been holding talks with the directors of Edinburgh and Dundee Investment Company for the past three

Table with columns: Bond Name, Price, Yield, etc. Includes Aer Lingus, Teoranta, etc.

NOTICE IS HEREBY GIVEN that in carrying out the operation of the sinking fund of 12th November, 1977 in respect of the above Loan Bonds for U.S. \$20,000,000...

Table with columns: Bond Name, Price, Yield, etc. Includes Aer Lingus, Teoranta, etc.

THE above-mentioned Bonds with Coupons due on 15th November, 1977 are hereby offered for redemption on or after the 15th November, 1977 at the option of J. HENRY SCROEDER WAGG & CO. LTD. Corporation...

Strathclyde Regional Council
ISSUE OF £25,000,000 STRATHCLYDE REGIONAL COUNCIL Variable Rate Redeemable Stock 1982

Authorised by the Strathclyde Regional Council and issued in accordance with the provisions of the Local Government (Scotland) Act 1975...

Price of Issue £100 per cent. PAYABLE FULL ON APPLICATION. Interest (less income tax) will be payable half yearly on 14th April and 14th October...

In accordance with a Resolution passed by the Strathclyde Regional Council on the 6th April, 1977, BANK OF SCOTLAND are authorised to receive applications for the above stock at the New Issue Department, P.O. Box 267, 38 Bishopsgate, London EC2P 2EH.

1. SECURITY - The Stock and the interest thereon will be secured upon the whole funds, rates and revenues of the Council and will rank pari passu with the existing and future debt of the Council...

2. PROVISION FOR REPAYMENT OF LOANS - The Council is required by Act of Parliament to make annual provision towards redemption of loans raised for the purpose of financing its operations...

3. PURPOSE OF ISSUE - The net proceeds of the present issue of stock will be applied to finance authorised capital expenditure and to replace maturing debt...

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American Brands Overseas, N.V.
8% Guaranteed Debentures Due 1981
Issued under Indenture dated as of November 15, 1969

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the above-mentioned Indenture, \$1,000,000 principal amount of the above-mentioned Debentures has been selected for redemption on November 15, 1977...

Table with columns: Bond Name, Price, Yield, etc. Includes American Brands Overseas, N.V.

On November 15, 1977, the Debentures designated above will become due and payable in cash or currency of the United States of America at the time of payment shall be legal tender for the payment of public and private debts...

AMERICAN BRANDS OVERSEAS, N.V.
Dated: October 11, 1977

Table with columns: Bond Name, Price, Yield, etc. Includes American Brands Overseas, N.V.

Regional Headquarters: Regional House, 10 Cadogan Street, London W8 7LJ. Telephone: 01-734-2200. Fax: 01-734-2201.

HOME NEWS

Education export drive urged

BY MICHAEL DIXON, EDUCATION CORRESPONDENT
MAJOR export drive in British construction companies and national goods and services...

Accountants combine to form new international body

BY MICHAEL LAFFERTY
ACCOUNTING BODIES from more than 50 Western countries have combined to form a new worldwide organisation for the profession...

Railway director moves

By Margaret Reid
MR. DAVID JONES, who was until recently executive director (finance) of the British Railways Board, has become finance director of Allied Investments...

BP executive posts for F. K. Rickwood

Mr. F. K. Rickwood has been appointed managing director of BP Exploration Company and chief executive of BP Petroleum Development...

HOME CONTRACTS £5m. shipbuilding order goes to Robb Caledon

ROBB CALEDON SHIPBUILDERS has been awarded a contract worth almost £5m. for the construction of a 4,350 tons deadweight self-unloading bulk carrier...

Fisher Price to produce toys at Peterlee

SHER PRICE, the U.S. toy subsidiary of Quaker Oats, is to invest £1.25m. in two advance factories at Peterlee, near Durham...

FLETCHER SUTCLIFFE WILD. Horbury, Yorkshire, has won orders worth £2m. from the National Coal Board for three rapid loading installations...

SALEM ENGINEERING COMPANY, Milford, near Derby, has been awarded a £2.2m. order from the British Steel Corporation for its Shepote Lane, Sheffield, works...

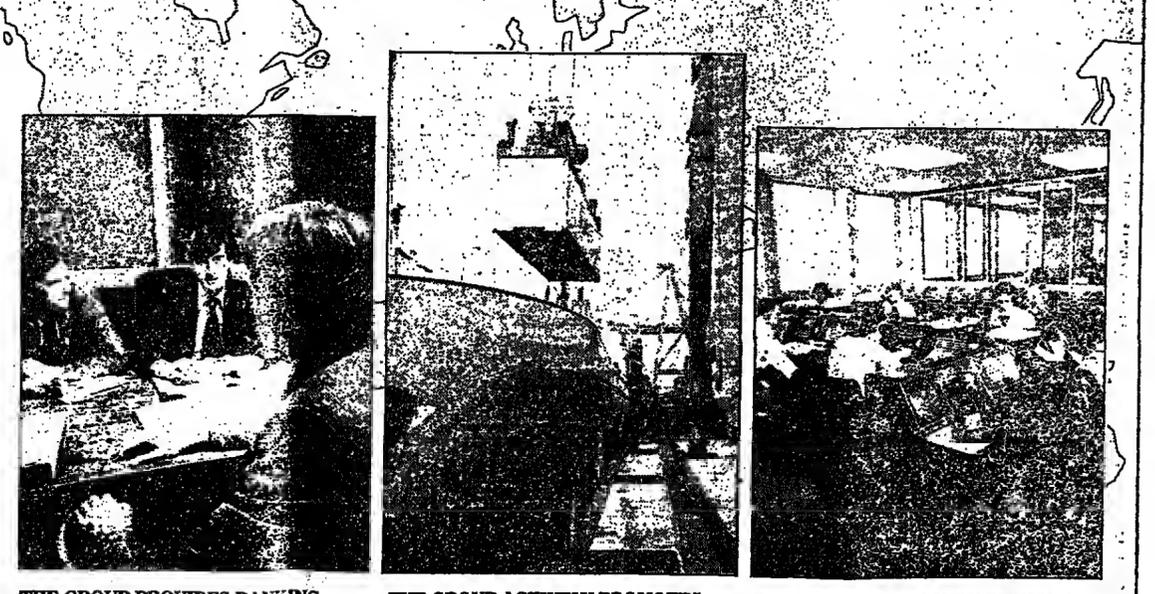
World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on October 10, 1977. In some cases rates are nominal. Market rates are the average of buying and selling rates...

Table with columns: Place and Local Unit, Value of £ Sterling, Place and Local Unit, Value of £ Sterling. Lists various countries and their exchange rates.

What does Grindlays bank on?

The Grindlays Bank Group has come a long way from its beginnings in the 19th Century. In 1977 we are a major international bank - a world leader in certain areas - but we work hard to preserve the traditions that put us where we are today...



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A world power in the making

CHINESE foreign policy has not changed direction in the year since Chairman Mao died but it has certainly become more active. China's single-minded drive for development, defined by Premier Chou En-lai in 1975 (comprehensive modernisation by the year 2000 so that China will be advancing "in the front ranks of the world") and eagerly embraced by the present leadership after the instability of the last couple of years, implies the understanding of this need for short cuts via outside sources of technology. In the present situation, that means contact with the U.S. The threat of world war and, specifically, Europe rather than the U.S. and Japan.

Surprisingly, perhaps, in view of the fact that many outsiders were inclined to believe that the quarrel with Moscow was a private vendetta of Chairman Mao's, there has been an rapprochement of any sort with the USSR. The Sino-Soviet dispute over ideology and questions of border territory remains at a complete impasse.

Peking is still preoccupied with the idea of inevitable global conflict because of the supposedly inherent imperialist nature of the U.S. and the USSR, over the past year Chinese leaders have given the idea even more of an airing. Recently however they have begun to qualify the theory by saying that such an event is being rendered less likely by the increasing unity of the medium-sized industrialised countries and by joint action on the part of all the peoples of the world. This is a new emphasis in Peking's outward looking policy.

Peking has reiterated Chair-

man Mao's theory of the "three worlds": the "first world" of the competing superpowers, the second world of Europe, Japan, Canada and Australia, and the "third world" of the developing countries. Its analysis, expounded most fully by Chairman Hua Ruo-fang at the Eleventh Party Congress last August, runs as follows: the socialist imperialist power is the main danger, since it is growing while the other imperialist superpower is in a state of decline. It is necessary to balance its hostility to the USSR with a present situation, that means contact with the U.S. The threat of world war can be countered by more united action by the nations of the second and third world which are, on that account, to be encouraged to join regional groupings (in particular the EEC).

Missions

Chairman Hua implicitly justified relations with the U.S. in his Party Congress report with a quote from Lenin in the effect that one should seize every opportunity of gaining a mass ally "even though this ally be temporary, vacillating, unstable, unreliable, and unconditional".

As for President Tin, although he personifies the revisionism for which the Chinese have belaboured the Russians, he is welcome in China as the first East European leader to defy the Soviet Union. In the longer run, tin, Peking may see him providing a bridge to the Communists of Western Europe whom it may wish should continue to loosen their ties with Moscow.

It makes sense to wonder how far the Chinese exaggerate their belief in the possibility of a third world war for their own purposes. Domestically, the NATO threat to divert Soviet attention away from the long

wards production since the economy has been stagnating for several years as a result of political instability and social unrest.

On the foreign front, these constant reminders to the West of the voraciousness of the socialist imperialists, ever seeking someone to devour, are useful particularly when Peking may want to build up its industrial and military strength with foreign purchases.

The Chinese Press has said often over the past year that military modernisation was essential. The army paper, the Liberation Army Daily, declared only a couple of weeks ago that unless something was done now, China would "passively suffer the blows."

The recent senior military mission to France indicated that China wanted to buy weapons, and Teng Hsiao-ping in conversations with a delegation of defence experts from West Germany (having said "with passionate conviction" that there would be no drawing together with the USSR) noted that China and West Germany had "common defence interests". A Swedish military mission to Peking is due at the end of this month. European sales of weaponry are clearly in the air.

One must at least consider the possibility that the Chinese are playing on European anxieties to induce a favourable response to requests for sensitive equipment. Furthermore, by constantly referring, as they do, to the Soviet threat in Europe, they might actually hope to get the NATO countries to divert Soviet attention away from the long

border with China. If this sounds excessively Machiavellian, one must remember that the Chinese are probably 10-15 years behind the USSR in defence, and feel themselves territorially threatened by it.

While the Chinese express their ambitions in strictly economic terms, they are certainly not blind to the fact that if their economic strength grows as planned, it will bring them status comparable with that of the superpowers. A developed economy, plus their huge population (1986m, according to the latest U.S. estimate) and their cultural unity will make them a force to be reckoned with. They deny that they will ever behave as other superpowers do, but in the long run they can hardly avoid actually becoming one. In a few years the world might have to adjust to the unalloyed emergence of a China rapidly developing considerable economic and military power.

Debacle

On the other hand, their main preoccupation for some time to come will be the management of their own increasingly complex society. Commenting on the rate of rise and raw materials to end products in China, the People's Daily recently noted how inefficient its industry was compared with that of foreign countries. It has been slow to recover from the economic debacle caused by the "ganz of four".

Indeed, many of the problems, like the redundancy of the railways, for instance, date back much further than the gan-

rise and are correspondingly more difficult to solve. Problems of deciding priorities, expanding agricultural production, increasing investment in industry and raising wages are still going to preoccupy Peking for many years.

While the leadership looks more stable than it has done since at least 1973, no little is known in the outside world to be sure. The relationship between Chairman Hua and Vice-Premier Teng Hsiao-ping, whom Hua displaced as Mao's heir at the penultimate moment, is a total mystery. Certainly, though officially only number three to the hierarchy, Teng seems to be the leading spokesman at present.

Thus it seems unlikely that all will be plain sailing in China's progress towards development up to the end of the century. Yet it will undoubtedly grow more powerful as it works towards its goal. As the Chinese begin to catch up with the outside world one would hope to see their tensions relax and their crude analysis of the nature of imperialism, socialism and other world views become more sophisticated and less suspicious.

The transfer of technology that will almost certainly take place in the coming years from the West to China, may despite a possible military content, provide a stabilising factor in the world balance of power by giving the Chinese more to lose. The cultural influences which will undoubtedly travel with it should help China to understand the complexities of the outside world and to view the superpowers in real, rather than purely ideological terms.

Financial Times Tuesday October 11 1977

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

Fall takes index to new low for year

THE EURODOLLAR BOND market continued to slide yesterday, but there was reportedly even less selling by investors than last week.

The Bondtrade index for medium-term issues hit a new 1977 low yesterday evening at 101.96, down from 102.08 on Friday evening.

The Dollar sector is attracting some demand from investors because of currency factors, dealers said yesterday.

On the monetary aggregates, Bankers' Trust says: "The Federal Reserve will most likely be struggling with buoyant aggregates in October, especially with the huge liability to be disclosed in next week's release."

Oerlikon takes control

BY JOHN WICKS

SCHONENWERD, Oct. 10.

THE SWISS shoe concern, C. F. Bally AG, today came under the formal management of the Zurich-based conglomerate Oerlikon-Buehrle Holding AG.

The existing seven directors resigned at the end of an extraordinary general meeting held here and were succeeded by a three-man Board consisting of directors of Oerlikon-Buehrle.

This election marked "the end of the Rex era," said Dr. Walter Koenig, hitherto company president.

since early this year the controlling shareholders of Bally.

Oerlikon-Buehrle has since offered other Bally shareholders two of its registered shares for each registered share of Bally.

Bally is to be integrated into the S.Fr.2.366n. Oerlikon-Buehrle group.

company, C. F. Bally, will not continue operations.

In a commentary to the report presented by the auditors, Schweizerische Treuhandsellschaft, Dr. C. Hebling of the auditing firm stressed that there had been "no contraventions" of the laws, statutes or regulations in connection with actions involving the Bally group and companies owned by Mr. S.Fr.150 for each of Bally's Rex shares.

He drew attention, however, to what he described as a lack of internal information in C. F. Bally, the whole Board and management having been given no details of Rex companies to which Bally had granted loans, as of July 6, 1977, the Rex group had owed Bally companies present locations. The holding a total of S.Fr.49.94m.

Elektrowatt growth checked

BY OUR OWN CORRESPONDENT

ZURICH, Oct. 10.

PROFITS growth limited to 10 per cent, owing to losses in Germany and Switzerland and a 5 per cent. interest rate at par with the conversion premium, indicated at around 10 per cent.

Profits in the year ended June last rose to Sw.Frs.18.9m. from Sw.Frs.17.1m. and the dividend is being held at 10 per cent. The Sw.Frs.120m. funding, which will be in convertible loan stock, comes on top of the recently prepared Sw.Frs.50m. medium term loan option.

Elektrowatt's two major problem areas are the Swiss contractor Ernst Goehner AG and the German wood products undertaking Bartels-Ibus GmbH.

Ernst Goehner, one of Switzerland's major contractors, has been badly hit in the recent past by the slump on the domestic housing market.

The company has been successful in booking new orders abroad, particularly in Saudi Arabia, but this business is not sufficiently important to offset losses at home.

After a large loss in 1976-77, the company presented a practically balanced profit-and-loss account last year, but only as a result of the use of part of considerable loss and risk reserves created by Elektrowatt in the previous business period.

The German firm Bartels-Ibus of Langenberg, remained in the red and needed "further substantial support" from Elektrowatt. A programme has now, however, been carried out to improve the production range and profitability of Bartels-Ibus.

A manufacturer of furniture, wooden boards and veneers and wooden fittings for houses.

Losses, though of a smaller nature, were also booked last year by the Swiss-based Therna group—a producer of kitchen and household equipment with subsidiaries in Germany and Austria—and two Swiss builders' merchant supplies manufacturers, Knechtler AG of Alstatten, and Bauwerk Bodenheiden.

industria AG, St. Margrethen. All these difficulties are connected directly or indirectly with the state of the housing industry.

The Elektrowatt's participation in the electricity generation and civil engineering sectors showed generally favourable results, and most industrial holdings also recorded "satisfactory to good" results.

Elektrowatt, in which Credit Suisse has a holding, last year obtained 59 per cent. of its earnings from the energy sector.

holdings in Swiss and German generating and electricity distribution companies), 29 per cent. from industrial participations and 6 per cent. from civil engineering. The remaining 6 per cent. came from miscellaneous sources, the building industry interests having resulted in a loss for the parent.

An idea of the effect the building and real-estate slump has had on Elektrowatt can be given by the fact that in 1976-77, profits were off as much as Sw.Frs.33.88m.

Cartel Office rules on gas producers

BY ADRIAN DICKS

BONN, Oct. 10.

LEADING WEST GERMAN producers of industrial gases have been ordered by the Federal Cartel Office to discontinue long-term supply agreements with customers as part of what the office describes as a move to enhance competition in the industry and to make it easier for new entrants to gain a foothold in the market.

The companies affected by the order are Messer Griesheim, Linde, Air Products, AGA, IGA, and Union Carbide.

Between them, they hold a share of the market rising as high as 90 per cent. in certain industrial gases.

delivered of some gases contained on a customer's buying order from the same supplier.

It has also been common in the industry, according to the Cartel Office, for supply agreements to bind customers to a particular supplier for as much as ten years.

The effect of the new ruling will be to limit the maximum periods to three years for tank customers and in one year for those purchasing gases by the bottle.

changed from the previous year at DM4.1bn., reports Reuter from Duisburg.

In a provisional report on the year, the company said its result was affected primarily by the steep fall in the price of rolled steel, but gave no other details.

Its workforce in the steel sector fell by almost 1,000, or around 5 per cent, over the year but the total number employed by the company was unchanged at 31,900.

State aid for Van Der Giessen

By Michael van Os

AMSTERDAM, Oct. 10.

AS PART of the general restructuring programme for the Dutch domestic shipbuilding industry, the Dutch Government has decided to give substantial financial support to the quoted Van der Giessen-De Noord Company.

According to a statement published by the shipbuilder, the company is receiving a grant of Fl.180m. from the National Investment Bank, of which Fl.25m. will take the shape of a subordinated loan.

In addition, to overcome current strains on its liquidity and capital as a result of the general problems in the shipbuilding sector, the company will be awarded another subordinated loan of Fl.60m.

Giessen said in its statement that the expected loss for this year would exceed the provision of Fl.15m. formed in 1976. This picture was not materially altered by developments in other sectors of activity.

However, the Board added that although the results would be negative this year, developments in the first 32 weeks were somewhat better than expected. It appeared that losses on new contracts would turn out to be lower than at first anticipated.

The Giessen Board's statement added that the current order portfolio would mean a good capacity utilisation until the end of next year. However, negotiations on further orders for new ships were in progress.

It was noted that the Government would participate in these losses, the statement added.

ROLINCO, which is part of the large Dutch-based Beheer Investeringen Company, proposes to declare a 5 per cent. stock distribution from the share premium reserve—the same as last year—and to allocate the entire profit of Fl.82m. in reserves, an announcement from Rijnland said today.

In the annual report ended in 1976, profits amounted to Fl.70m.

The Board said, ahead of the AGM on November 29 that it was again making a stock distribution as the company had no obligation to declare a cash dividend for the financial year 1976-77. Distributions from the premium reserve are exempt from tax.

FRENCH COMPANIES Profit upturn at G O

BY DAVID CURRY

PARIS, Oct. 10.

GENERALE Occidentale, the master company of Sir James Goldsmith, which last month completed the full takeover of the Cavenham group, is proposing to maintain its dividend for the 1976-77 financial year at Fr.5.50 per share to which the Fr.2.75 must be added.

Net profits were slightly ahead of the previous year at Fr.196.5 against Fr.158.8.

After a minority interests profit of Fr.27.750m. on a turnover of Fr.1.457.000m., the non-consolidated profits reached Fr.215.25m. against Fr.169.9m. Net operating profits before exceptional items reached Fr.250.25m. against the previous year's Fr.272.750m. on a turnover of around Fr.1.457.000m.

Generale Occidentale went into 1977 as the 51 per cent. owner of Cavenham. Its first attempt to acquire the remaining shares had to be abandoned when the projected price of 120m. per share proved unacceptable to some large minority interests, notably the Prudential.

In May the French holding company successfully lifted its stake to 105 per cent. and at the end of September achieved 100 per cent. ownership.

Cavenham is the main fund company in the G O group and itself controls Generale Alimentaire which is the main French food concern in the group, as well as the main overseas flat carriers like Grand Union of the U.S.

that year-on-year comparison first half results is distorted by differing dates for receiving portfolio revenues.

Around two-thirds of capital is employed in the food manufacturing and food distribution business. Most of the remainder is in the financial sector, in which G O has three main holdings: Banque Occidentale pour l'Industrie et le Commerce; Witham Poland Holdings of the U.K.—both of which it controls; and a large minority stake in Arvat Securities of the U.S.

This year also Sir James acquired a GO subsidiary Agrifrance, a 45 per cent. stake in the weekly magazine group L'Express. Previously Cavenham had bought a 25m. slice of the non-voting capital of Reavertron Newspapers.

L'AIR LIQUIDE, the gases, chemicals, welding, engineering and construction concern, has announced that first half 1977 profit rose to Fr.194.3m. before tax, depreciation and provisions, from Fr.154.7m. in the same period of 1976. Reuter reports from Paris.

The company said, however, that year-on-year comparison first half results is distorted by differing dates for receiving portfolio revenues.

CIE BANCAIRE made a consolidated net profit of Fr.115m. in the first half compared with Fr.111m. in the first six months last year. Operating profits were Fr.412m. against Fr.436m.

ROUSSELOT S.A., major manufacturer of gelatin, proteins and chemicals, has started negotiations for acquisition by Ato-Chimie in its equity stake in its equity joint venture with the latter.

An earlier bid by Societe Francaise des Petroles BP, of British Petroleum, was successful because the Government is understood to have sought a "French" solution.

A counter-bid by Ato-Chimie, similar to that of Petrosuisse, offer of Fr.550 per share, was rejected by Roussetol's board last month.

Ato-Chimie is owned jointly by the State-controlled oil group Elf-Aquitaine and Cie Francaise des Petroles (CFP).

SCANDINAVIAN COMPANIES

Kone Oy eight month rise

BY LAINE KEYWORTH

HELSINKI, Oct. 10.

KONE OY, the Finnish multinational maker of lifts, cranes and transport equipment, reports for the parent company compared with the first eight months of 1976. The group's net invoicing rose by 24.1 per cent. to Fmk.514.5m. (about £112m.). Exports accounted for nearly 70 per cent. of the current year.

Turnover in the lift division, the biggest division in value terms, increased by 6.6 per cent. to Fmk.450.6m. The growth in the crane and transport division was 51.6 per cent.

Investments are running at roughly the same level as in 1976, when the total outlay was about Fmk.55m. However, the Kone Group warns in its interim report that order books show a shrinking trend in spite of the receipt of new orders to a value of Fmk.411.5m. The total order stock at the end of August stood at Fmk.960.5m., 8.3 per cent. less than it was at the beginning of the current year. The order position is not satisfactory from the point of view of capacity utilisation and profitability in 1978.

for the period ended August 31, 1977, shows some improvement in the Nankia concern in the eight months of this year—created by 99 per cent. increase in Fmk.1.43bn. The first-year result in 1976. Sales increased by 7.8 per cent. to Fmk.1.15bn. The best relative growth, 22.6 per cent., was recorded by the parent company, to Fmk.173m. Sales in the electronics division again rose by 24.1 per cent. to Fmk.1.15bn. (about £250m.). Exports accounted for nearly 70 per cent. of the current year.

The consolidated turnover of the parent company compared with 1976. Sales increased by 19 per cent. to Kr.187bn. and total assets by 24 per cent. to Kr.220bn. Equity capital only increased by about Kr.2bn. to Kr.60bn. Equity in relation to assets dropped from 22.5 per cent. for 192 companies compared with 19.3 per cent.

Danish profits setback

BY HILARY DENNIS

COPENHAGEN, Oct. 10.

PROFITS in Denmark's 200 largest companies last year fell by 24 per cent. from an average of Kr.51m. in Kr.40m., before tax and allowances, according to a survey published by business newspaper, Børsen.

Total profits came in Kr.7.5bn. dropped from 22.5 per cent. for 192 companies compared with 19.3 per cent.

SELECTED EURODOLLAR BOND PRICES

MID-DAY INDICATIONS

Table with columns: STRAIGHTS, Economic Libr, etc. listing various bond prices and yields.

Source: Kidder Peabody & Co.

The Bank of Tokyo, Ltd. Negotiable Floating Rate U.S. Dollar Certificates of Deposit. Series C Maturity date 14 October 1980. Interest Rate of 7 1/4% per annum.

NIPPON CHEMI-CON NIPPON CHEMICAL CONDENSER CO., LTD. (Nippon Chemical Condenser Kabushiki Kaisha) 3,600,000 Shares of Common Stock (par value ¥50 per share) represented by Continental Depositary Receipts. The Nikko Securities Co., (Europe) Ltd. Drexel Burnham Lambert Incorporated Pierson, Helding & Pierson N.V. List of agents and distributors worldwide.

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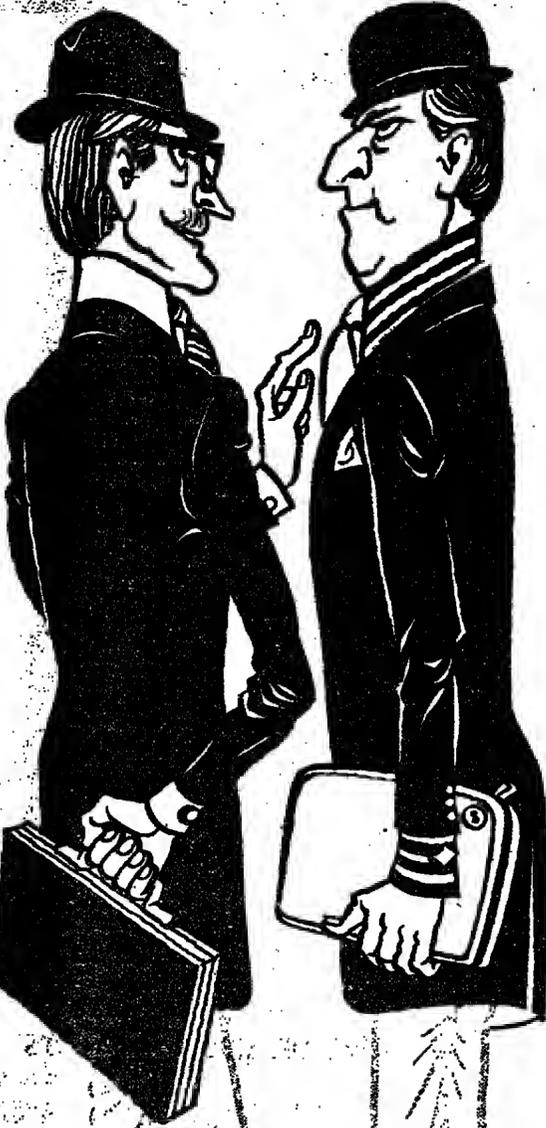
INTERNATIONAL FINANCIAL NEWS

CREDIT RATING IN CANADA

Battle of the fledglings

BY JAMES SCOTT IN TORONTO

TO FLEDGLING Canadian and commercial paper rating agencies are waging a quiet battle for the top spot in Canada's credit rating industry. The agencies have made a positive contribution to Canadian capital markets, but add that they still treat them with some caution since the services have not yet been tested by a defaulting debtor, and therefore have not had a chance to flash a warning signal. They are still honing their skills. However, the success of the Canadian agencies, which have brought a more realistic appraisal of quality to the Canadian market, has attracted the attention of the two largest U.S. rating services, Moody's Investors Service and Standard and Poor's. Moody's in the past has restricted its Canadian rating services to Government issues but the growth in the corporate market has changed its philosophy and it now will rate such issues, although it has not done so yet. For some time Moody's has had a Toronto office marketing its material coming out of New York, which covers primarily U.S. borrowers. Standard and Poor's has an answering service in Toronto but no office. It explored the Canadian market last year, but decided against a Canadian rating office because of the start-up costs without any assurance of revenue from potential borrowers. It is trying to develop this business from its New York office with the intention of setting up in Canada should business volume make it viable. However, both Moody's and Standard and Poor's may have trouble becoming established in the Canadian market. As some investment managers ask: "Where were they when we needed them before the Canadian credit analysis department. He travelled extensively developing new clients, including many firms for the money markets, such as the wheat pools in western Canada. CBRS was founded by Brian Neysmith, previously supervisor for fixed income portfolios for pension funds with Bell Canada, the biggest telephone company in Canada. He has since been joined by Jack Brooks, formerly vice chairman at Greenshields and Ray Richard, previously a loans officer with the Toronto-Dominion Bank. Now that the independent ratings are available, one large investment dealer has cut down the circulation of its own credit summaries because it was not finding the service rewarding and costs were rising too fast. A large insurance company feels the agencies are particularly helpful to the extent that they rate private placements, for which there is less information readily available than for public issues. The impact of the two agencies in Canada is still much less than in the U.S. because they have yet to establish unquestioned credibility. But there is no doubt that they have brought much-needed order to the growing and increasingly complex Canadian market.



Do the big boys get all the financial help?

There's a feeling around that only the larger companies seem to get the financial help they need. If this is so, we believe it's simply because most financial institutions are so big themselves that they've forgotten how to deal with smaller companies. With the result that they rarely speak your language any more. This is not true of Commercial Credit. We'll listen with an open mind to any request for financial help from smaller and medium sized companies. Because it's an area in which we specialise. We care very much for people like you. And to make sure we can provide nationwide service we have 26 branches throughout the country to support you. "Look after the smaller companies and we'll look after ourselves" has been our worldwide philosophy since 1912 when we first opened. And we've helped many of today's household names at various times. Today our assets stand at over £2 billion. We can help you with plant and machinery finance, export finance, marine, aircraft and property finance, equipment leasing or development finance. So next time you need financial services, remember, there's a Commercial Credit branch near you.

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Haking takes Swiss stake

BY OUR OWN CORRESPONDENT

ZURICH, Oct. 10.

THE HONG Kong company, W. Haking Industries (Mechanics and Optics), has acquired a substantial minority shareholding in the Swiss retail camera, interdiscount, holding SA of Fribourg. The Swiss company has for the past 12 years been selling Haking cameras, binoculars and similar optical products of the Hong Kong firm. Haking Industries, formed and owned by Mr. Haking Wong and Mrs. Pauline Chan Chiu, is one of the world's leading producers of consumer optical products and is next year to introduce a range of immediate print cameras to the market. Haking, sells under the trade name "Halina" or under house brands. Interdiscount, a leading Swiss retail chain specialising in photographic equipment, radios and televisions. Net turnover had dropped 14 per cent last year to Sw.Frs.125.8m, but this decline was due partly to the divestment of two Swiss participations. Group sales are expected to be higher in 1977, thanks largely to rapid growth at the U.S. subsidiary Photo America Corporation. The acquisition of a stake in the Fribourg company by Haking Industries will, it is stated, permit a sharp expansion of Interdiscount's operations in the U.S. Photo America was consolidated into the group last year. The holding company has recorded an increase in its net profits to Sw.Frs.3.15m (Sw.Frs.2.36m) for the year ended June 30, 1977, despite certain losses on retail activities in calendar 1976. Jardine restructures in Malaysia. Jardine restructures in Malaysia and Chee and Co. (South East Asia) has announced a restructuring of its operations in Malaysia, in order to ensure that its presence is consistent with national objectives and to provide it with the opportunity to participate fully in Malaysia's future growth. On October 1, the company's Malaysian subsidiary, Jardine Matheson Holdings (Malaysia) exchanged 51 per cent of the equity of its three subsidiaries, Jardine Sandilands (Malaysia) SDN. Bhd., with an issued capital of M88.3m, Jardine Parrish SDN. Bhd. (issued capital M51.5m) and Chee and Co. SDN. Bhd. (M5240,000), for 46 per cent of Antah Holdings, a joint venture investment and holding company. At the same time, the Antah Group injected investments in six companies, plus cash, for a 54 per cent stake in the joint venture.

62% increase at AWA

BY JAMES FORTH

SYDNEY, Oct. 10.

AMALGAMATED WIRELESS Mr. J. A. L. Hoake, chairman, said the profit growth also reflected the many organisational changes and the re-assessment of priorities which had been made over the past three years. To assist in protecting AWA's capital against inflation, SA3m had been transferred to general reserve, including the trading stock valuation adjustment. The profit increase was achieved despite significant inflation to 10 cents which is amply covered by earnings of 35 cents a share, compared with 20 cents in 1975-76. The improvement was spread since the balance sheet date over the company's major activities. Manufacturing and importing of electronic products, service operations and investment income all showed gains. New Zealand, however, was a difficult trading area, and profits were depressed. While it would not be realistic to expect the profit to advance at the same rate as it has in the past two years, I expect this year's results to show some further improvement, assuming no serious downturn in the economy," he said.

Elron 23% decline

BY L. DANIEL

HAIFA, Oct. 10.

ONE OF Israel's leading electronics producers, Elron, intends to declare its 10 per cent interim cash dividend as the final for the fiscal year 1976-77, and to add a 25 per cent bonus issue. The sales of Elron and its subsidiaries increased by 45 per cent in the past fiscal year in \$35m, but net profit declined by 23 per cent to \$200,000. The proportion of exports in total turnover remained unchanged at just under two-thirds. The decline in net profit was due to heavy expenditure by one of the subsidiaries (Elsint, producer of medical electronic equipment), in which Elron holds 42 per cent, on the final stage of development of its tomographic equipment, which was put on the market in June this year.

Bahrain is top currency area in Gulf

By William Hall

BAHRAIN appears to have firmly established itself as the main foreign exchange trading centre in the Gulf. According to the Bahrain Monetary Agency which monitored the market during the last week of September, foreign exchange turnover is now running at an estimated \$5bn a month of which \$1bn is in local currencies — principally Saudi Riyals and Kuwaiti dinars. In addition, the forward market, mainly in Gulf currencies — has risen from \$0.5bn to \$2bn over the past year. Also Moore, the BMA's director-general, suggests that no other centre in the Gulf can provide a market in international foreign exchange with as much depth as Bahrain. Since the establishment of the offshore banking enclave in October, 1975, trading in local currencies has become far more competitive with dealing spreads cut from 1 per cent plus to near European levels. Meanwhile the size of the offshore market has risen from \$5bn a year ago to around \$12.5bn by end-September. It is present increasing at between \$0.5bn-\$1bn a month. Bahrain Banking and Finance Survey Pages 17-24

Furner deal with SIA

BY H. F. LEE

SINGAPORE, Oct. 10. SINGAPORE AIRLINES (SIA) has signed an agreement with Turner (East Asia), a subsidiary of a New York-based aircraft management firm, under which Turner will provide design and construction of a group of proposed facilities at Singapore's new international airport. The facilities and buildings to be developed at the new airport, which will be located at a former British Royal Air Force base at Changi, will cost more than \$300m. Turner will be responsible for the timely completion of the project within the specified budget, and also for maintaining the various projects. Among the new facilities to be developed by SIA are a new 747 maintenance hangar, jet engine test facility, overhaul base, a flight deck, an administration building, an air freight terminal and a plant and equipment maintenance facility. The new Changi airport is expected to be operational by 80. According to SIA, Turner has vast experience in serving major U.S. airlines in the construction of airport terminals, service hangars, flight decks and cargo-handling sites.

Aseam capital to be halved

FOLLOWING the restructuring of the Asian and European Merchant Bank (ASEAM), under which Bank America will effectively raise its stake to 25 per cent, the capital of ASEAM will be reduced from the present \$524 million to about \$262 million, reports FT. The restructuring of ASEAM first reported in the Financial Times at the beginning of last month, involves the withdrawal from the venture of all existing shareholders, including Kleinwort Benson of U.K. The restructuring also provides for Bank of America to release ASEAM Singapore's wholly-owned Hong Kong subsidiary, Asian and European Capital Corporation, to Bank of America.

These Bonds were offered and sold outside the United States of America. This announcement appears as a matter of record only.

Natomas International Corporation

(Incorporated in the State of California, U.S.A.)

U.S. \$30,000,000

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Guaranteed as to principal, premium (if any) and interest by

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Amsterdam-Rotterdam Bank N.V.
Banque de Paris et des Pays-Bas
Dresdner Bank Aktiengesellschaft
Salomon Brothers International Limited
Banque Nationale de Paris
Credit Suisse White Weld Limited
European Banking Company Limited
Hambros Bank Limited

Marginal loss after very thin trade + FOREIGN EXCHANGES

BY OUR WALL STREET CORRESPONDENT

NEW YORK, Oct. 10

WITH MANY investors observing policy. Just last Friday, the Fed raised its target on key Fed Fund rate to 6 1/2 per cent, and the stock market reacted accordingly. The Dow Jones Industrial Average advanced 10.58 points, or 0.10 per cent, to 1,038.34. The New York Stock Exchange volume was 1.1 billion shares, a decline from 1.2 billion on Friday. The market was characterized by a steady, but not particularly strong, upward movement. The Dow Jones Industrial Average closed at 1,038.34, up 10.58 points from 1,027.76. The S&P 500 index rose 1.14 points to 114.21. The Nasdaq composite index advanced 1.14 points to 114.21. The market was characterized by a steady, but not particularly strong, upward movement. The Dow Jones Industrial Average closed at 1,038.34, up 10.58 points from 1,027.76. The S&P 500 index rose 1.14 points to 114.21. The Nasdaq composite index advanced 1.14 points to 114.21.

MILAN—Mostly lower in thin trade. The Milan market was mostly lower in thin trade. The market was characterized by a steady, but not particularly strong, upward movement. The Dow Jones Industrial Average closed at 1,038.34, up 10.58 points from 1,027.76. The S&P 500 index rose 1.14 points to 114.21. The Nasdaq composite index advanced 1.14 points to 114.21.

PARIS—Activity was at a low ebb with share prices failing to establish a decided trend. The Paris market was characterized by a steady, but not particularly strong, upward movement. The Dow Jones Industrial Average closed at 1,038.34, up 10.58 points from 1,027.76. The S&P 500 index rose 1.14 points to 114.21. The Nasdaq composite index advanced 1.14 points to 114.21.

STOCKHOLM—Mixed in moderate dealings. The Stockholm market was mixed in moderate dealings. The market was characterized by a steady, but not particularly strong, upward movement. The Dow Jones Industrial Average closed at 1,038.34, up 10.58 points from 1,027.76. The S&P 500 index rose 1.14 points to 114.21. The Nasdaq composite index advanced 1.14 points to 114.21.

Gold Bullion (fine ounce)	1977	1976
London	157.15	157.15
New York	157.15	157.15
Gold Bars (999.9)	157.15	157.15
Gold Coins	157.15	157.15
Gold Certificates	157.15	157.15

OTHER MARKETS

Germany higher
Shares on the German Bourse extended last week's gains on international and foreign buying, especially by heavy demand for electricals.

INDICES

Oct 10	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1
1038.34	1027.76	1027.76	1027.76	1027.76	1027.76	1027.76	1027.76

MONDAY'S ACTIVE STOCKS

Stock	Change
Avco	+1.00
Boeing	+0.50
IBM	+0.25
General Electric	+0.10

EXCHANGE CROSS-RATES

Oct 10	Frankfurt	New York	Paris	Brussels	London	Amsterdam	Zurich
1.00	1.48	1.00	6.55	36.36	163.33	2.36	2.00

CURRENCY RATES

Oct 10	Bank	Day's	Close
1.00	1.48	1.00	6.55

OVERSEAS SHARE INFORMATION

Stock	Oct 10	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2
Alcoa	51.4	51.4	51.4	51.4	51.4	51.4	51.4
Amgen	51.4	51.4	51.4	51.4	51.4	51.4	51.4
Amstar	51.4	51.4	51.4	51.4	51.4	51.4	51.4

NEW YORK - DOW JONES

Oct 10	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1
1038.34	1027.76	1027.76	1027.76	1027.76	1027.76	1027.76	1027.76

MONDAY'S ACTIVE STOCKS

Stock	Change
Avco	+1.00
Boeing	+0.50
IBM	+0.25
General Electric	+0.10

EXCHANGE CROSS-RATES

Oct 10	Frankfurt	New York	Paris	Brussels	London	Amsterdam	Zurich
1.00	1.48	1.00	6.55	36.36	163.33	2.36	2.00

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OVERSEAS SHARE INFORMATION

Stock	Oct 10	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2
Alcoa	51.4	51.4	51.4	51.4	51.4	51.4	51.4
Amgen	51.4	51.4	51.4	51.4	51.4	51.4	51.4
Amstar	51.4	51.4	51.4	51.4	51.4	51.4	51.4

NEW YORK - DOW JONES

Oct 10	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1
1038.34	1027.76	1027.76	1027.76	1027.76	1027.76	1027.76	1027.76

MONDAY'S ACTIVE STOCKS

Stock	Change
Avco	+1.00
Boeing	+0.50
IBM	+0.25
General Electric	+0.10

EXCHANGE CROSS-RATES

Oct 10	Frankfurt	New York	Paris	Brussels	London	Amsterdam	Zurich
1.00	1.48	1.00	6.55	36.36	163.33	2.36	2.00

CURRENCY RATES

Oct 10	Bank	Day's	Close
1.00	1.48	1.00	6.55

Handwritten scribbles at the bottom of the page.

ANIMAL FEED PRICES DOWN AGAIN

Our Commodities Staff E MAIN British animal feed prices have cut their prices for fourth month in succession. The latest round of reductions led by BOCM Slick which berday topped 55 a tonne of 200 for dairy cows and weep 23.50 and 24 a tonne of poultry feeds came down 22.50 a tonne, and the price of concentrate feeds - protein and mineral mixtures which farmers use for their grain to make up a plate ration - were reduced between 25 and 20. In July, compounds have been down an average 21.2 a tonne and concentrates by 20 and 20.0. Lightly slower of the market, Agriculture announced price reductions yesterday from 23.85 of poultry and 23.07 of its concentrates.

Russia cotton harvest to be record

MOSCOW, Oct. 10. LENTIN MESYATS, Soviet Agriculture Minister, says the cotton harvest this year is greater than the 5.8m. set in 1974. Cotton harvest last year fell to 5.3m. following an August drought, but because of rain in the late harvest area, it of the 1974 record. The Soviet Union enjoyed record harvests in 1974 and 1975. The wider use of machinery and new irrigation. The under the crop expanded at a rate of 180,000 hectares a year. This year cotton was planted a record 2,979,000 hectares - 100 hectares more than last year and nearly 180,000 more in 1974. Earlier reports from Washington said China has bought an additional 30,000 bales of U.S. cotton delivery in the 1977-78 period. China's purchases this year total 192,000 bales.

THAI TIN

BANGKOK, Oct. 10. Thailand's production of tin concentrate in the first half of 1977 rose to 13,400 tonnes in 1977, in the same period of 1976.

EEC threatened with split over beef plans

By Robin Reeves BRUSSELS, Oct. 10. REACTIONS to the European Commission's plans for shifting the Common Market over to a U.K.-type beef market support system will be aired at a meeting of EEC Ministers of Agriculture in Luxembourg tomorrow. The Commission is proposing that next season the EEC at large should adopt a beef market system which will guarantee a price to producers through a combination of subsidies and support buying. That is in place of a system based wholly on intervention support which is responsible for Europe's notorious 'beef mountain'. Britain alone is operating the kind of scheme the Commission wants for the Community. The partial re-introduction of the U.K. deficiency payments system of beef support was insisted upon by Mr. Fred Peart, the former Minister of

U.S. stockpile policy outlined

By David Bell WASHINGTON, Oct. 10. THE CARTER Administration is to build up a stockpile of strategic metals and other commodities while reducing others. But it is not expected that government buyers will enter the markets at least until next spring, and no details of proposed purchases are being made. The General Services Administration announced that, after a thorough review, the President decided to continue the stockpile policy. The aim is to ensure that the national stockpile is sufficient to meet the needs of America's defence related industries for at least three years of war. The GSA said that work has started on an analysis of commodities to be bought and sold next year. When that is finished the agency will submit a supplementary budget request. That and the agency's view on what it regards as the most important commodities to be bought and sold will be approved by Congress and such approval is unlikely before the spring. Under the Ford plan the GSA would have bought some \$18.5m of unspecified materials and sold about \$22m of other items. Since the 1975 fiscal year will be the first year of the new Congress, the first year buying totals of the Carter plan are expected to be lower. Although the 'goals' of the Ford plan remain in force, they will be reconsidered each year by an inter-agency buying plan committee. Mr. Ford wanted the stockpile agency to become a buyer of copper, nickel, zinc, certain kinds of manganese, cadmium, jewel bearings, refractory bauxite and feathers. At the same time the stockpile would begin to dispose of some of its holdings of tin, silver, dysprosium, cerium, antimony, antimony, bismuth and castor oil.

Tin rallies after losses

By Our Commodities Staff TIN PRICES last ground yesterday on the London Metal Exchange following a fall in Penang over the weekend, and a higher than expected rise in LME warehouse stocks. Standard grade cash tin closed 27.00 at 26.70, a tonne. But it rallied from lower prices earlier in the day, and the upward trend continued on the late kerb. In Penang, prices dropped sharply on Saturday before recovering much of the decline the following day. It was noticeable in London that there was a slight narrowing

DUTCH CUT COFFEE PRICE

AMSTERDAM, Oct. 10. The retail price of a 250 gramme packet of coffee in Holland will be cut by 0.45 guilders to an average 5.57 guilders from tomorrow. In August the price of coffee was cut by 0.50 guilders for the first time this year, a total price of 3.22 guilders. Reuter

COFFEE

London coffee 250g higher on opening. The market was active and prices rose. The price of coffee in London rose to 25.00 a tonne. The price of coffee in London rose to 25.00 a tonne. The price of coffee in London rose to 25.00 a tonne.

GRAINS

LONDON FUTURES (GAPTA) - Market opened unchanged to 25 pence. The price of wheat in London rose to 25.00 a tonne. The price of wheat in London rose to 25.00 a tonne.

SILVER

Silver was traded 1.45 an ounce higher. The price of silver in London rose to 1.45 an ounce. The price of silver in London rose to 1.45 an ounce.

COCOA

Cocoa and hazelnut. Strength of cocoa and hazelnut prices firm, reports CIB and Reuters. The price of cocoa in London rose to 25.00 a tonne.

JUTE

JUTE - Firm. Prices of jute in London rose to 25.00 a tonne. The price of jute in London rose to 25.00 a tonne.

New pact may end sugar row

By John Edwards, Commodities Editor THE SUCCESSFUL conclusion of the new International Sugar Agreement in Geneva last Friday may help break the deadlock in the row between Australia and Japan over the 10-year supply contract. Mr. Doug Anthony, Australia's deputy Prime Minister said the Japanese refiners may be more content with the terms of the contract since prices are between 11 to 21 cents a lb. agreed upon in the world pact. Mr. Anthony may go to Japan for discussions about the supply contract and to make a fresh attempt to improve beef sales. At the same time Australia is re-opening talks with China on a possible long-term sugar supply contract. Meanwhile, world sugar prices were firmer on the London terminal market yesterday. The London daily price and nearby months were held down by the continuing surplus of supplies available, and expectations that exporting countries will step up sales before January, when the Agreement will come into force. But market sentiment was aided by news that the Dominican Republic had agreed to supply sugar for sugar offered at a selling tender.

Rubber 'task force' talks under way

GENEVA, Oct. 10. A 'TASK FORCE' representing leading producers and users of natural rubber met today to discuss details of an international agreement to stabilise prices and markets. The task force was set up last week under the auspices of the UN 'integrated programme' of negotiations aimed at stabilising markets and prices for important world commodities to protect developing countries' export earnings. The task force will consider proposals from producers, for an international stabilisation arrangement based on a 400,000-tonne stockpile. Reuter

China may join wheat pact talks

BY OUR OWN CORRESPONDENT THE CHINESE administration is considering participating in talks on a new world wheat pact, according to Mr. Otto Lang, Minister in charge of the Canadian Wheat Board. Mr. Lang pointed out that the recent visit to China, said that he had raised the question of the proposed international national wheat pact with the Chinese Vice-Premier, Wang Chen, and the foreign trade minister, Li Ching. Mr. Lang pointed out that the administration was much more receptive to China taking its place in the council of the world wheat pact, than it had been in the past. Mr. Lang said that despite complex weather conditions there would be 'not a bad' harvest.

Brazilians angry at price tactics

BY SUE BRANFORD, IN SAO PAULO, OCT. 10. PRODUCERS AND traders would feed inflation. However, observers believe that the government's move may herald a change in government policy. Brazilian Coffee Institute, claiming that the 25 per cent increase in the price paid to them by the IBC for their coffee is not enough. The rise, which will come into effect on January 1, will bring the price up to cruzeros 2,500 (59¢) a bag. Jaime Nogueira Miranda, a leading coffee producer in Sao Paulo, said: 'The IBC is playing games with the farmers. The new measures don't even begin to satisfy our needs.' The farmers also claim that IBC is 'playing poor politics'. If it really wanted to convince the world of its confidence in a rapid upturn in world prices, it would have to announce a substantial rise in domestic prices. In recent weeks, coffee farmers have been demanding more from the government, requesting an immediate increase in the IBC purchase price and a further rise to cruzeros 3,000 (€113) on January 1. The lobby suddenly became much stronger at the end of last week with the unexpected public support of the governors of the two leading coffee producing states, Parana and Sao Paulo. So far, the Government has grounded that such an increase measures have so far been taken.

China may join wheat pact talks

OTTAWA, Oct. 10. It is doubtful whether the original target of 225m tonnes will be reached. The latest estimates from Western world sources is 215m tonnes, but there are doubts whether the official target of 215m tonnes will be achieved. Although it is well below the bumper crop of 223m tonnes last year, there is no question of shortage. However, the poorer quality of the crop might mean the import of some extra hard wheat supplies. The U.S. last week announced that it had raised the amount of wheat the Soviet Union could buy under the five-year deal from 8m to 15m tonnes for 1977-78.

China may join wheat pact talks

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Table with columns: COMMODITY MARKET REPORTS AND PRICES, ASSE METALS, RUBBER, SOYABEAN MEAL, SUGAR, WOOL FUTURES, COTTON, PALM OIL. Includes various market data and prices.

Table with columns: PRICE CHANGES, MEAT/VEGETABLES, SOYBEAN MEAL, SUGAR, WOOL FUTURES, COTTON, PALM OIL. Includes various market data and prices.

Second European Commodity Conference November 7, 8 & 9 - Paris Sheraton. With the participation of the Chairman of the Chicago Board of Trade and 15 other US, British and Continental experts.

LEGAL NOTICES. THE HIGH COURT OF JUSTICE. NOTICE IS HEREBY GIVEN that the High Court of Justice has granted an order for the winding up of the above-named company.

U.S. Markets. Soybeans, grains easy. SOYBEANS - NEW YORK, Oct. 10. Soybean futures prices were lower. GRAINS - Chicago, Oct. 10. Grain futures prices were lower. WHEAT - Chicago, Oct. 10. Wheat futures prices were lower.

STOCK EXCHANGE REPORT

Shake-out in Funds continues and leaves falls to £2 5/8 Shares trade at lower level—Index ends 8.1 down at 509.1

Account Dealing Dates Option First Declara- Last Account Dealings Days Dealings Day... Stock markets yesterday were generally in retreat from the opening... Equities opened lower...

ties in the wake of the recent heavy demand for sterling... Prices closed at the day's lowest... widespread falls ranging to 2 1/2...

in Hickson and Welch. Leaders of a few pence were marked... continued in demand and put on... against J. Brown, 233p, Hawker...

Colman, 465p, Beecham, 645p, were unaltered at 290 following... the preliminary figures... Following Friday's announcement...

House of Fraser case The Store leaders gave ground... The Store leaders gave ground... with Gus A reacting 6 to 325p...

ing a Press suggestion that it... disappointment with the annual... results and gave up 2 more to...

Oil's drift lower Oils had a quietly dull day... with prices gradually easing on lack... of support... The heavyweights...

Glaxo sold Already a dull market at 605p... Glaxo eased further let on dis... appointment with the annual...



FINANCIAL TIMES STOCK INDICES Table with columns for various indices (Government Secs, Fixed Interest, Industrial Ordinary, etc.) and their values for Oct 10, 9, 8, 7, 6, 5, 4, 3, 2, 1, and Year ago.

HIGHS AND LOWS S.E. ACTIVITY Table showing high and low prices for various stocks and their activity in the South East region.

OPTIONS TRADED DEALING DATES Table listing traded options and their dealing dates.

NEW HIGHS AND LOWS FOR 1977 Table listing new high and low prices for various stocks in 1977.

Elsewhere, in a generally quiet... market, the FT-Actuaries Share Indices...

International Chamber of Commerce and FINANCIAL TIMES Conference October 31/November 1 Café Royal, London European Business in World Development

RECENT ISSUES

EQUITIES Table listing recent equity issues with columns for issue number, price, and other details.

FIXED INTEREST STOCKS Table listing recent fixed interest stock issues.

"RIGHTS" OFFERS Table listing rights offers for various companies.

ACTIVE STOCKS Table listing active stocks with columns for stock name, denomination, closing price, and change.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS Mon., Oct. 10, 1977 Table showing equity group performance with columns for group name, index, and percentage change.

FIXED INTEREST PRICE INDICES Table showing fixed interest price indices.

FIXED INTEREST YIELDS Table showing fixed interest yields.

Table showing various financial metrics and indices for different periods.

AUTHORISED UNIT TRUSTS OFFSHORE AND OVERSEAS FUNDS

Main table listing various unit trusts and offshore funds with columns for name, manager, and performance metrics.

BASE LENDING RATES table listing various banks and their respective interest rates.

Table listing various insurance and financial services providers.

Table listing various insurance and financial services providers.

Table listing various insurance and financial services providers.

Advertisement for a stock exchange investor, featuring a telephone number and promotional text.

Advertisement for a financial service, including contact information and a list of services.

Advertisement for a financial service, including contact information and a list of services.

Advertisement for CLIVE INVESTMENTS LIMITED, featuring a list of investment products and contact details.

Exporting is easier with PAYMENT IN STERLING INTERNATIONAL FACTORS LIMITED

FT SHARE INFORMATION SERVICE

HOTELS—Continued

**BRITISH FUNDS

Table of British Funds with columns for High, Low, Stock, and Yield. Includes 'Shorts' (Lives up to Five Years) and 'Five to Fifteen Years'.

Over Fifteen Years

Table of funds categorized as 'Over Fifteen Years'.

Undated

Table of undated funds.

**INTERNATIONAL BANK

Table for International Bank with columns for High, Low, Stock, and Yield.

**CORPORATION LOANS

Table of Corporation Loans with columns for High, Low, Stock, and Yield.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth & African Loans with columns for High, Low, Stock, and Yield.

LOANS (Miscel.)

Table of miscellaneous loans with columns for High, Low, Stock, and Yield.

FOREIGN PRICES & RAILS

Table of foreign prices and rails with columns for High, Low, Stock, and Yield.

AMERICANS

Table of American stocks with columns for High, Low, Stock, and Yield.

AMERICANS—Continued

Continuation of American stocks table.

CANADIANS

Table of Canadian stocks with columns for High, Low, Stock, and Yield.

BANKS AND HIRE PURCHASE

Table of banks and hire purchase with columns for High, Low, Stock, and Yield.

Hire Purchase, etc.

Table of hire purchase and other services with columns for High, Low, Stock, and Yield.

BEERS, WINES AND SPIRITS

Table of beers, wines, and spirits with columns for High, Low, Stock, and Yield.

CINEMAS, THEATRES AND TV

Table of cinemas, theatres, and TV with columns for High, Low, Stock, and Yield.

DRAPERY AND STORES

Table of drapery and stores with columns for High, Low, Stock, and Yield.

BUILDING INDUSTRY, TIMBER AND ROADS

Table of building industry, timber, and roads with columns for High, Low, Stock, and Yield.

BUILDING INDUSTRY—Cont.

Continuation of building industry table.

DRAPERY AND STORES—Cont.

Continuation of drapery and stores table.

ELECTRICAL AND RADIO

Table of electrical and radio with columns for High, Low, Stock, and Yield.

CHEMICALS, PLASTICS

Table of chemicals and plastics with columns for High, Low, Stock, and Yield.

ENGINEERING MACHINE TOOLS

Table of engineering machine tools with columns for High, Low, Stock, and Yield.

FOOD, GROCERIES, ETC.

Table of food, groceries, etc. with columns for High, Low, Stock, and Yield.

HOTELS AND CATERERS

Table of hotels and caterers with columns for High, Low, Stock, and Yield.

ENGINEERING—Continued

Continuation of engineering table.

INDUSTRIALS (Miscel.)

Table of miscellaneous industrial stocks with columns for High, Low, Stock, and Yield.

AMERICANS—Continued

Continuation of American stocks table.

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Continuation of American stocks table.

ENGINEERING—Continued

Continuation of engineering table.

INDUSTRIALS (Miscel.)

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AMERICANS—Continued

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HOTELS AND CATERERS

Table of hotels and caterers with columns for High, Low, Stock, and Yield.

AMERICANS—Continued

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Continuation of American stocks table.

AMERICANS—Continued

Continuation of American stocks table.

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INDUSTRIALS—Continued

Table of industrial stocks including companies like British Petroleum, Shell, and ICI, with columns for stock price, price change, and volume.

INSURANCE—Continued

Table of insurance stocks including companies like Sun Alliance, Commercial Union, and Royal Indemnity.

PROPERTY—Continued

Table of property stocks including companies like British Land, Anglo-Scottish, and National Westminster.

INV. TRUSTS—Continued

Table of investment trusts including companies like British Venture, British Investment, and British Venture.

FINANCE, LAND—Continued

Table of finance and land stocks including companies like Anglo-Scottish, National Westminster, and British Land.

YASUDA TRUST AND BANKING logo and name.

MINES—Continued

Table of mine stocks including companies like Anglo-Scottish, National Westminster, and British Land.

AUSTRALIAN

Table of Australian stocks including companies like Anglo-Scottish, National Westminster, and British Land.

TINS

Table of tin stocks including companies like Anglo-Scottish, National Westminster, and British Land.

OVERSEAS TRADERS

Table of overseas trader stocks including companies like Anglo-Scottish, National Westminster, and British Land.

COPPER

Table of copper stocks including companies like Anglo-Scottish, National Westminster, and British Land.

MISCELLANEOUS

Table of miscellaneous stocks including companies like Anglo-Scottish, National Westminster, and British Land.

RUBBERS AND SISALS

Table of rubber and sisal stocks including companies like Anglo-Scottish, National Westminster, and British Land.

TEAS

Table of tea stocks including companies like Anglo-Scottish, National Westminster, and British Land.

Sri Lanka

Table of Sri Lanka stocks including companies like Anglo-Scottish, National Westminster, and British Land.

Africa

Table of African stocks including companies like Anglo-Scottish, National Westminster, and British Land.

MINES CENTRAL RAND

Table of central rand mine stocks including companies like Anglo-Scottish, National Westminster, and British Land.

EASTERN RAND

Table of eastern rand mine stocks including companies like Anglo-Scottish, National Westminster, and British Land.

FAR WEST RAND

Table of far west rand mine stocks including companies like Anglo-Scottish, National Westminster, and British Land.

O.F.S.

Table of O.F.S. stocks including companies like Anglo-Scottish, National Westminster, and British Land.

INSURANCE

Table of insurance stocks including companies like Sun Alliance, Commercial Union, and Royal Indemnity.

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

TOBACCO

TRUSTS, FINANCE, LAND

FINANCE, LAND, etc.

DIAMOND AND PLATINUM

REGIONAL MARKETS

OPTIONS 3-month Call Rates

RECENT ISSUES and "Rights" Page 38

STOCK EXCHANGES THROUGHOUT THE UNITED KINGDOM

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Neddy warnings on new investment and training

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

TWIN WARNINGS about problems facing the British economy in the future if industry does not increase its investment, design marketable products, and train the necessary skilled workers were given yesterday at the monthly meeting of the National Economic Development Council.

reference to increasing exports. The council's meeting, the first to be held since July, started however with an optimistic appraisal of the economy. He said that there had been a dramatic improvement in Britain's financial position with a stable exchange rate, strong reserves and a steady fall in interest rates.

Blow-out blamed on human errors

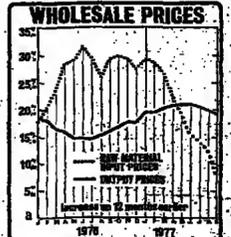
By Kevin Done in London and Pay Gjeister in Oslo

THE BLOW-OUT in Phillips Petroleum's Ekofisk field in the North Sea last April was caused chiefly by human errors and faulty procedures, according to the three-man committee set up by the Norwegian Government to investigate the accident.

Glaxo's profits under sedation

THE LEX COLUMN

Index fell 8.1 to 509.1



The market was nervous about the Glaxo results all day yesterday, and in the event the figures turned out to be short of most expectations. Short of the shares 2 1/2p down by the close at 595p.

Champagne Brezhnev welcome for Owen

By David Lascelles

MOSCOW, Oct. 10. THE ENTIRE Soviet senior leadership turned out today to greet Dr. David Owen, the Foreign Secretary, with a welcome which surprised and delighted the British, and seemed aimed at taking relations a big step forward.

Employers agree to 20% pay rise for pipefitters

BY PAULINE CLARK, LABOUR STAFF

EMPLOYERS and union negotiators for about 15,000 specialist pipefitters in the heating and ventilating industry have agreed on a pay increase of 20 per cent, exactly double the ceiling the Government has put on wage awards for post Phase Two deals.

among small and widely distributed specialist companies. The Heating and Ventilating Contractors' Association, which represents the employers, in the national agreement speaks for about 1,000 small companies offering employment as few as 15 to 20 skilled pipefitters. Those who are not actually members of the association traditionally follow the national agreement.

Fire-fighting

The team would co-ordinate the response of all agencies.

The team would co-ordinate the response of all agencies. It would still be responsible for dealing with the emergency on the spot. A report will be published soon by the Environment Department which is expected to set out the details of fire-fighting equipment in the U.K. sector of the North Sea, which would probably make oil company responses to a disaster unacceptable.

Base rates

Last night Treasury bills were pointing to another 1 point fall in Minimum Lending Rate to 5 1/2 per cent.

Last night Treasury bills were pointing to another 1 point fall in Minimum Lending Rate to 5 1/2 per cent, but the clearing banks were remaining ominously quiet. Since they last cut their base rates, three-month interbank rate—which tends to be a benchmark for the clearers—has dropped by 1/2 of a point and there is clearly room for the banks to cut their base rates by at least a full point.

Company profits

After commenting in previous quarters on the distortion produced by the North Sea build-up into the profits sector of the industrial and commercial company sector, the Central Statistical Office is now publishing a separate estimate for the sector in fact accounts for 1/3 of the overall improvement.

Two-hour talks

This afternoon Dr. Owen had an unscheduled hour with President Brezhnev which was described as being marked by an unexpected degree of warmth.

The level of this welcome, which was completely unexpected, was taken by the visitors as an indication of the Russians' seriousness about detente, and their appreciation of Britain's role in such world issues as nuclear disarmament and southern Africa.

New cut-price war likely on air routes to Australia

BY IAN HARGREAVES

THE WAR between British Airways and Laker Airways over the switch to Australian services next year.

with the cheapest proposed British Airways ticket at £355. This, in turn, compares with the existing cheapest off-peak, advance-booked ticket of £450. In the near-peak and peak (holidays) periods, the Laker fare would be £450 and the British Airways fare £530.

Undamaged

The approved maintenance programme specified that one type of mechanical safety device (a back pressure valve) should be used during this high-risk period.

Despite the failure of the down-hole valve, the report says the accident could have been prevented if those responsible had correctly interpreted the warnings on the tubing. It failed to stop the flow of fluids when the well became unstable. It was later blown right out of the well, and after the accident was found almost undamaged on one of the platform's jacks.

Weather

CLOUDY with some rain and fog at first with sunny periods later. London, S.E., E. Anglia, Cent. S. E. Midlands, E. Channel Is., Cent. N.

There's one London bank that really understands Eastern Europe

Morgan Crucible announces plant closure

BY DAVID FISLOCK, SCIENCE EDITOR

MORGAN CRUCIBLE, one of three British companies licensed in the mid-1960s to manufacture carbon fibre, announced last night that it was abandoning the venture based at Battersea, south London, because "business remains slow and unprofitable."

Research Development Corporation for its alleged failure to defend the British patents in the U.S., as having been a proliferation of sources of the material.

promises made by the RAE to the two companies, which had collaborated in developing a high-temperature processing technology.

Steel offer

An agreement to sell foreign steel in the U.S. at agreed minimum prices is not thought possible, as it would conflict with the domestic laws on free competition.

The European steel makers are hoping the Community will be able to secure a restraint agree-

ment with the U.S. based on tonnage of steel traded. Eurofer will ask that any agreement between the U.S. and the EEC should include a future role for Eurofer to police the management of the agreement, and ensure it is properly enforced.

Both British Composite Materials and Courtaulds have recently indicated continuing confidence in the new material—BCM by its collaboration with GKN to develop carbon fibre components for the motor industry, and Courtaulds by announcing an expansion of capacity.

Further cut likely in MLR

By Michael Blenden

A FURTHER CUT in the Bank of England's minimum lending rate is likely this week as short-term interest rates in the money market continue their downward trend.

This will bring further pressure on the big clearing banks to reduce their lending rates, following last Friday's cut in MLR from 8 to 6 1/2 per cent. The clearing banks at present are operating on a base lending rate of 7 per cent, well above the general market level. But yesterday they continued to show reluctance to bring their rates down any further when there is little demand for loans and they are concerned over the competition of the building societies for deposits.

BUSINESS CENTRES

Table with columns for City, 7 Day, and 14 Day. Lists various cities like Amsterdam, Athens, Barcelona, etc.

HOLIDAY RESORTS

Table with columns for City, 7 Day, and 14 Day. Lists holiday resorts like Alghero, Blackpool, Bournemouth, etc.

Moscow Narodny Bank. The bank for East-West trade. 24/32 King William Street, London, EC4P 4J5. Brackets in Beirut and Singapore. Representative Office in Moscow. TOTAL ASSETS EXCEED £1,500,000,000.

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